



Business Plan for the Pompano Beach Airpark

PREPARED FOR:

City of Pompano Beach

PREPARED BY:

RICONDO & ASSOCIATES, INC.



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1. Executive Summary

The Executive Summary includes a discussion of the Business Plan's purpose, identifies key findings of the analyses, and provides a summary of recommendations resulting from the key findings.

1.1 Purpose of this Report

The Business Plan for the Pompano Beach Airpark (Airport) was prepared by Ricondo & Associates, Inc. (R&A) and Kimley-Horn and Associates, Inc. (collectively the R&A Team) for the City of Pompano Beach (the City) to assist in the planning and programming for capital investment, management, and land use decision-making as it relates to the City's overall strategic plan for the Airport. The recommendations resulting from the analysis, as presented in this report, seek to establish a financial framework for the Airport that may be used as the Airport develops its strategic objectives and optimize overall financial performance.

The R&A Team prepared the Business Plan for the following purposes:

- To develop projections of the Airport's financial position utilizing key assumptions including existing and anticipated leases, revenue enhancement options, and impacts of future development, capital projects, and inflation to allow for sound management and planning of future operations. The future capital projects and associated revenue sources support the City's objectives to avoid increasing aircraft noise impacts at the Airport and to ensure that the Airport remains self-sufficient.
- To review and formulate a funding plan for the Airport's Capital Improvement Program (CIP).
- To assess, at a high level, the performance of the Airport relative to comparable benchmark airports.
- To estimate the economic impact of activities carried out at the Airport by the various tenants and general aviation visitors.

The Business Plan is organized into the following sections:

- **Section 1: Executive Summary.** This section summarizes the background and purpose of this report and presents key findings and a summary of recommendations.
- **Section 2: The Airport.** This section provides a general description of the Airport's background, facilities, activity, frequent users, and tenants.

- **Section 3: Economic Impact Study.** This section provides an update to the Airport's 2008 economic impact study (2008 Study), which estimates the direct and indirect impacts of the Airport to the local community.
- **Section 4: Benchmarking Analysis.** This section presents the results of the benchmarking analysis including comparisons of key financial and operational factors to other comparable general aviation airports.
- **Section 5: Financial Analysis.** This section presents an overview of the Airport's accounting structure, CIP, and a financial model, which includes a ten-year projection period (Baseline Scenario). This section also identifies assumptions incorporated in the financial model and an alternative financial scenario (Scenario 2), which includes potential future sources of additional revenue for the Airport.
- **Section 6: Results and Recommendations.** Based on analyses conducted in the preceding sections, and through the use of the financial model, the estimated financial implications of recommended changes are quantified in both the Baseline Scenario and in the alternative scenario, Scenario 2.

1.2 Key Findings

After evaluating the Airport's economic impact to the local community, benchmarking certain financial and operational results against comparable airports, reviewing the Airport's financial structure, and developing a financial model to calculate financial projections, the R&A Team determined the following:

- The Airport's total economic impact is estimated to be approximately \$54,643,000 in CY 2013. Based on conversations with Airport staff, the City Commission, City Manager, and Airport tenants, the community's perception of the Airport's advantages, including the economic benefit the Airport offers the region, may not be fully realized.
- Increasing knowledge of the Airport's frequent users would be beneficial in order to determine the best use of Airport property for future development, to target businesses that would potentially make good tenants, and to develop marketing initiatives to increase awareness of the Airport's services and benefits to the region.
- Based on average market rates for land leases at general aviation airports in FDOT's 2013 Public Use Airports' Rates and Charges Analysis Report (FDOT Rates and Charges Report), several of the Airport's current tenants are paying rental rates that are less than average market rates for aeronautical and non-aeronautical land leases, resulting in lower operating revenues for the Airport.
- In the Baseline Scenario, O&M expenses are projected to increase at a compound annual growth rate of 3.0 percent from FY 2014 to FY 2024. Operating revenues are projected to increase at a slightly higher rate during this same period, with a compound annual growth rate of 3.3 percent. The Airport is projected to break even or generate a modest surplus in net operating revenues prior to funding CIP expenditures each year.

- In the Baseline Scenario, net operating revenues are not sufficient to fund the Airport's annual portion of CIP expenditures in six of the ten years of the Projection Period.
- The additional revenue-generating capital projects (Proposed Projects) presented in Scenario 2 are not projected to generate sufficient net operating revenues to fund the Airport's annual portion of CIP expenditures for budget FY 2014 and projected FY 2015. During the remainder of the Projection Period, FY 2016 through FY 2024, the Proposed Projects presented in Scenario 2 are projected to generate sufficient net operating revenues, ranging from approximately \$820,000 to approximately \$2.2 million annually, to fund the Airport's portion of the CIP.
- The City has no cash reserves on hand designated specifically for the Airport to use to protect itself against unforeseen economic challenges including unexpected capital expenditures, increases in O&M expenses, and/or decreases in operating revenues.

1.3 Summary of Recommendations

Based on the findings presented above, the R&A Team developed recommendations in the categories presented below to help the Airport achieve its goals and to develop a stronger financial position in the future. These recommendations will be described in detail in the report:

1. Address misconceptions and increase awareness of the Airport
 - a. Emphasize economic benefit of the Airport to the region
 - b. Target good tenants
 - c. Improve external communication, specifically related to noise concerns and noise mitigation efforts
 - d. Encourage community interaction through events
2. Maximize funding sources
 - a. Review and update CIP on a regular basis
 - b. Reprioritize CIP projects as needed
 - c. Pursue non-traditional forms of external funding sources
 - d. Assess feasibility of loans or issuing bonds for larger capital projects
3. Maintain operating and maintenance (O&M) expenses
 - a. Hold O&M expenses steady

4. Increase operating revenues
 - a. Evaluate and negotiate terms of lease agreements based on industry standards
 - b. Utilize fair market value for lease renewals and new lease negotiations and include provisions to mandate periodic reappraisals of the leased property
 - c. Hire a certified airport property appraiser to determine fair market value of Airport property
 - d. Capture additional sources of revenue through land and facility leases
5. Adopt a holistic approach to financial planning
 - a. Evaluate revenue generating potential of CIP projects
 - b. Update the financial model to monitor projections of annual cash flow
 - c. Identify opportunities for improvement and monitor the Airport's performance in relation to comparable airports

2. The Airport

2.1 Airport Background

Located in Broward County, Florida, the Airport is a public use facility owned and operated by the City. The Airport was constructed during World War II as a satellite training field serving the Naval Air Station located at what is now Fort Lauderdale-Hollywood International Airport. On August 29, 1947, the City obtained the Airport under the Surplus Property Act of 1944 and renamed it to Pompano Beach Airpark. Under the provisions of the Surplus Property Act, property, such as the training field, conveyed to local governments must be used for aviation purposes or ownership reverts back to the Federal Aviation Administration (FAA). The FAA can release excess portions of the property for non-aviation purposes. However, any proceeds from the sale of excess property must be used to support airport growth and development under the terms of the Surplus Property Act. The Airport has operated as a general aviation facility since its transfer to the City in 1947.

On June 24, 1948, additional property surrounding the Airport, including land located along Copan's Road and the Florida East Coast Railway tracks to the west of the Airport, were transferred to the City, which increased the total acreage at the Airport to 1,035 acres. On August 5, 1958, the Airport released approximately 10 acres to Broward County for the construction of the Pompano Beach Elementary School. Broward County received approximately 10 additional acres on August 4, 1966. On May 8, 1968, the City sold approximately 60 acres in the northeast corner of the Airport for the development of the Pompano Fashion Square Mall, now known as the Pompano Citi Centre. In 1981, the Pompano Beach Elks Club purchased approximately 10 acres in the southwestern section of the Airport. On September 17, 2007, approximately 300 acres of land were released from the Airport to the City, which included a portion of the golf course (182 acres), water reuse plant (4.2 acres), public works compound/water treatment plant (37.7 acres), fire station #24 (1.2 acres), municipal stadium (34.5 acres), amphitheater/recreation center/civic center (14.6 acres), and tennis and aquatics center (21.5 acres). Currently, the Airport occupies approximately 650 acres of land.¹

¹ Source: Pompano Beach Airpark, August 2014.

2.2 Airport Facilities and Activity

The Airport has three paved asphalt runways. The primary runway (15-33) for wind conditions is 4,918 feet long and 150 feet wide. Crosswind coverage is provided by Runway 6-24, which is 4,001 feet long and 150 feet wide. The third runway, 10-28, is 3,502 feet long and 100 feet wide. The runway lengths at the Airport accommodate midsize business jets and smaller airplanes, typically single-engine and twin-engine propeller types and light jet aircraft.

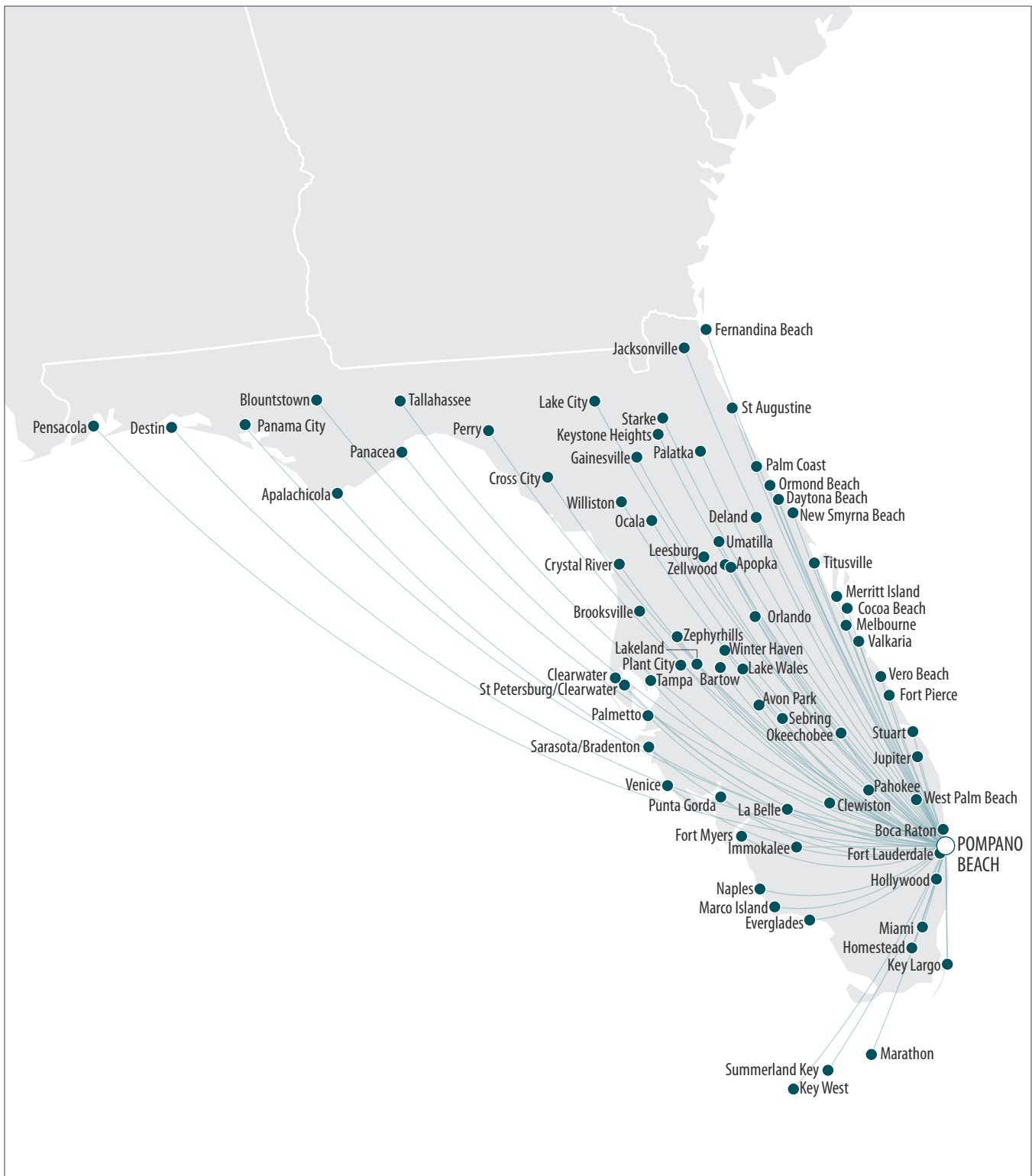
Additional facilities owned by the City include a joint Air Traffic Control Tower (ATCT) and Administration Building. The Administration Building is approximately 4,000 square feet in size and provides offices for the airport manager and staff as well as a conference room. Attached to the Administration Building, the ATCT is approximately 2,000 square feet with five floors, including the tower cab. The cab floor elevation is approximately 42 feet above ground level and there is currently a clear line of site to all movement areas of the Airport. The City recently completed a 3,500 square foot airport equipment storage building adjacent to the airfield electrical vault. This building provides storage for maintenance equipment as well as office space.

Additionally, the City operates a fire station on the former Airport property along NE 10th Street. This facility provides coverage for the Airport and surrounding community. There are multiple tenants at the Airport that have facilities such as hangars, workshops, offices, classrooms for training, and warehouses. The facilities are not currently owned by the City; however, the City collects ground rent from the tenants. **Exhibit 2-1** presents the property map for the Airport.

Based on Flight Aware data available for CY 2013, the Airport serves a substantial market in Florida as well as the southern, eastern, and mid-western portions of the United States (U.S.). As shown on **Exhibit 2-2**, more than 74 communities in Florida served as origins of flights to the Airport in CY 2013. As presented on **Exhibit 2-3**, flights originating to the Airport in CY 2013, outside Florida, included 35 states as well as Puerto Rico and the U.S. Virgin Islands. Originating flights to the Airport within the U.S. were identified as far west as California and Alaska.²

² Not all originating flights shown on Exhibit 2-3 are direct/non-stop flights.





SOURCE: Flight Aware data (CY 2013).

PREPARED BY: Ricondo & Associates, Inc., February 2014.

EXHIBIT 2-2

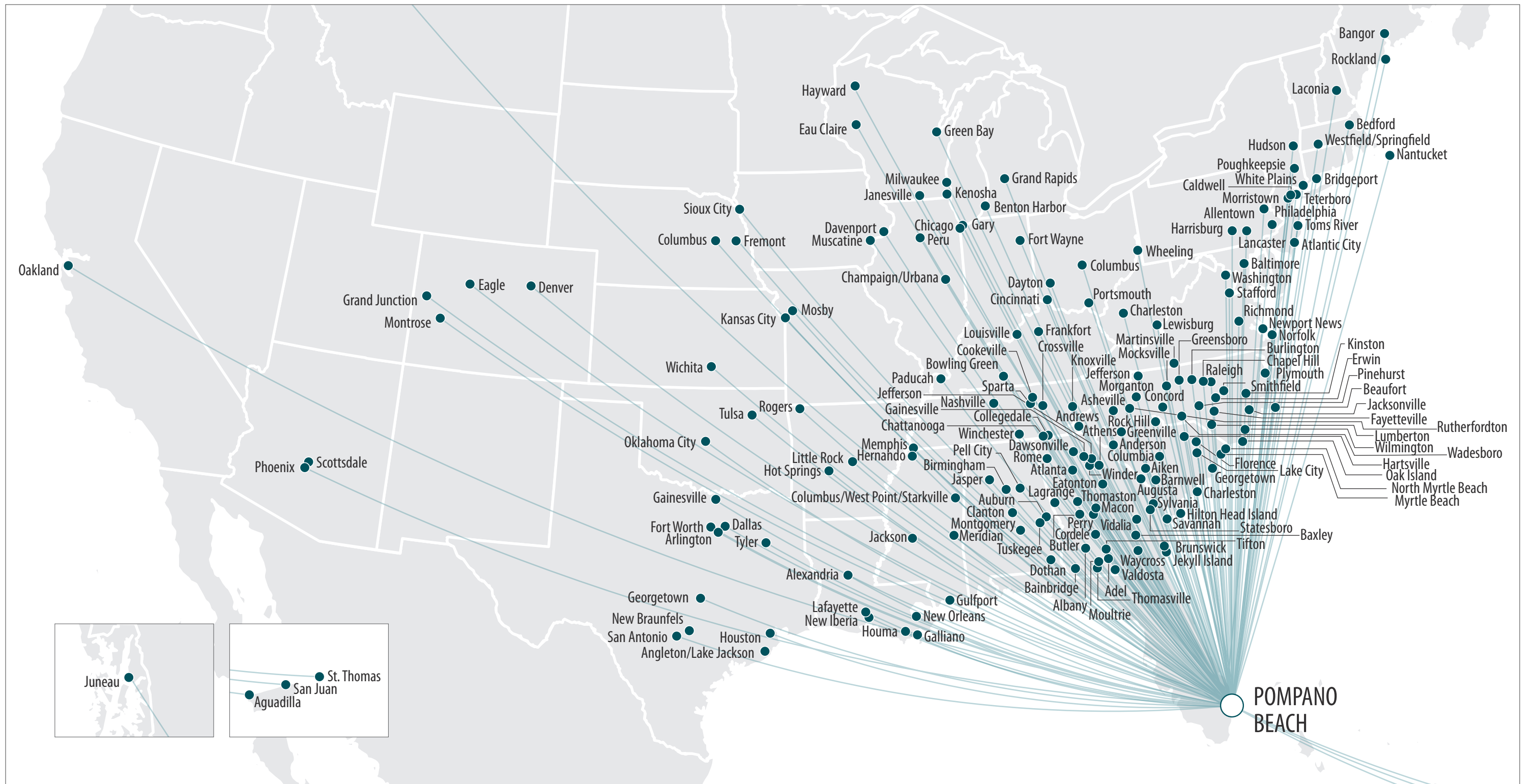


NORTH

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Origins of Intrastate Flights to Pompano Beach Airpark



SOURCE: Flight Aware data (CY 2013).
PREPARED BY: Ricondo & Associates, Inc., February 2014.

EXHIBIT 2-3



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U.S. Airports Originating Flights to Pompano Beach Airpark

Based on information provided by Sheltair Aviation Services, a Fixed Base Operator (FBO) located at the Airport, nearly 30 businesses were frequent users of the Airport in CY 2013 and CY 2014. As shown below, the majority of these businesses are based outside of Florida:³

- Aflac Inc. (Columbus, GA)
- Air Ambulance Corp. (New York, NY)
- Air BP Exploration Oil (Warrenville, KS)
- American Proteins (Cumming, GA)
- Bank of Agriculture (Stockton, CA)
- Bank of America (Providence, RI)
- Bank of Naples (Naples, FL)
- Bank of Utah (Salt Lake City, UT)
- Beechcraft Corp. (Lawrence, GA)
- Bell/Textron Helicopters (Columbus, OH)
- Bombardier Business Jets (Ontario, Canada)
- Citation Shares (Greenwich, CT)
- Corporate Air (Pittsburg, PA)
- Dell Computers (Austin, TX)
- Delta Private Jets (Atlanta, GA)
- Disney Corp. (Palo Alto, CA)
- Dunkin Donuts (Santa Fe, NM)
- First National Bank (Goodland, KS)
- Flex Jets (San Jose, CA)
- General Electric Co. (New York, NY)
- Jack Links Snacks (Minong, WI)
- Jimmy Johns Gourmet Foods (New York, NY)
- Nationwide Insurance (Charlotte, NC)
- Net Jets (Columbus, OH)
- Panhandle Energy (Indianapolis, IN)
- Seminole Tribe of Florida (Hollywood, FL)
- Truly Nolen Pest Control (Orlando, FL)
- Universal Jets (West Palm Beach, FL)
- Yacht Direct (North Miami Beach, FL)

³ Source: Sheltair Aviation Services, August 2014.

2.3 Airport Tenants

There are currently 20 tenants located at the Airport offering a variety of aviation related services. **Table 2-1** presents a list of on-Airport tenants and the types of services provided.

Additional information relating to the tenants' lease agreements are presented in section 5.3.3 of this report.

Table 2-1: Airport Tenants ^{1/}

TENANT	BUSINESS TYPE
Accurate Aircraft Repair, Inc.	Aircraft Maintenance
American Flyers Flight School	Flight Instruction
Aviation Center of Pompano	Hangar Rental/Development
Aviation Specialty Services Corporation	Aircraft Maintenance
Boat Pix	Aerial Photography
Florida Aviation Academy	Flight Instruction
Florida Coast to Coast Helicopters, Inc.	Flight Instruction
Goodyear Airship Operations	Corporate Flight Department
Helicopter Parts & Service, Inc.	Aircraft Maintenance
Jacobs Aviation, LLC	Corporate Flight Department
Jet Sales International	Aircraft Sales
Learn To Fly Center, Inc.	Flight Instruction
Majestic Jet	Air Taxi/Charter Operator
Pompano Beach Airpark	Airport Administration
PRO Aircraft Interiors, Inc.	Aircraft Maintenance
Robinson Aviation, Inc.	Air Traffic Control
Ruben Sotelo	Private
SheltAir Aviation Services	Fixed Base Operator
Tornado Aircraft	Aircraft Maintenance
Worldwide Elite	Aircraft Maintenance

NOTES:

1/ Socata Aircraft will be a new tenant at the Airport beginning in January 2015.

SOURCE: Pompano Beach Airpark, July 2014.

PREPARED BY: Ricondo & Associates, Inc., July 2014.

3. Economic Impact Study



The FAA states that economic impacts measure the importance of aviation as an industry in terms of the employment it provides and the goods and services it consumes. In addition, economic impacts are the beneficial results that help to generate and sustain public support for airports. In particular, the economic impacts estimated in these analyses are based on the results of the Airport's tenant surveys and various rules of thumb typically utilized in economic impact studies. This section presents summary findings of the economic impact of the Airport for 2013 (2013 Study).

3.1 Methodology

The importance of the Airport extends beyond its typically recognized function of transporting people. In addition to the employees and activity directly associated with the Airport, many businesses and employees benefit economically from the Airport and its day-to-day operations. Almost every employment category in the Airport's market area, even those that never directly use the Airport or its services, receives some economic benefit from the Airport.

One of the most important aspects of the economic impact analysis is to identify the direct economic impacts associated with the operations of the Airport. Direct impacts are consequences of economic activities carried out at the Airport by the various tenants having a direct involvement in aviation. These airport tenants provide aviation-related benefits including aircraft maintenance, aircraft sales, fixed base operators, and flight instruction. Employing labor, purchasing locally produced goods and services, paying taxes, and contracting for capital improvements are examples of activities that generate these direct impacts. Direct impacts represent economic activities that would not have occurred in the absence of the Airport.

In order to measure direct impacts, each of the Airport's tenants was hand delivered a survey. As shown on **Exhibit 3-1**, the tenant survey requested the number of full-time, part-time, and contract employees located at the Airport, as well as payroll expenses, capital improvement expenditures, and operating expenses. In order to be consistent with the methodology used during the 2008 Study, gross sales, which provide measurements of output, were excluded from the tenant survey and calculation of total economic impact. The overall response rate, including full or partial responses, was 80 percent after follow-up procedures were completed via email subsequent to the initial distribution of the surveys. When no or partial responses were received, missing information was estimated, when appropriate, based on other sources of information to determine direct economic impacts. Extrapolating estimates for missing information in the 2008 Study was limited; consequently, the results of the total direct economic impact in the 2013 Study are greater than the 2008 Study.

	<h2 style="margin: 0;">Tenant Survey</h2> <h3 style="margin: 0;">Pompano Beach Airpark</h3> <h3 style="margin: 0;">2013 Economic Impact Study Update</h3>									
<p>1. TENANT NAME _____</p> <p>CONTACT _____</p> <table style="width: 100%; border: none;"> <tr> <td style="width: 33%; text-align: center;">Name</td> <td style="width: 33%; text-align: center;">Phone Number</td> <td style="width: 33%; text-align: center;">E-mail</td> </tr> </table>			Name	Phone Number	E-mail					
Name	Phone Number	E-mail								
<p>2. EMPLOYMENT</p> <p>How many full-time, part-time, and contract employees were employed in 2013?</p> <table style="width: 100%; border: none;"> <tr> <td style="width: 40%;">2013 Full-time employees ►</td> <td style="width: 10%; border: 1px solid black; height: 20px;"></td> <td style="width: 40%;">2013 Part-time employees ►</td> <td style="width: 10%; border: 1px solid black; height: 20px;"></td> </tr> <tr> <td>2013 Contract employees ►</td> <td style="border: 1px solid black; height: 20px;"></td> <td></td> <td></td> </tr> </table>			2013 Full-time employees ►		2013 Part-time employees ►		2013 Contract employees ►			
2013 Full-time employees ►		2013 Part-time employees ►								
2013 Contract employees ►										
<p>3. PAYROLL</p> <p>Please estimate the total annual salary, wages, and benefits paid in 2013 to all employees shown in Question 2.</p> <p>2013 Payroll ► \$</p>										
<p>4. CAPITAL IMPROVEMENTS</p> <p>Please <u>estimate</u> how much was spent for capital improvements in the following years, including federal, state, and local funding.</p> <table style="width: 100%; border: none;"> <tr> <td style="width: 25%;">2010 ►</td> <td style="width: 25%; border: 1px solid black; padding: 2px 20px;">\$</td> <td style="width: 25%;">2012 ►</td> <td style="width: 25%; border: 1px solid black; padding: 2px 20px;">\$</td> </tr> <tr> <td>2011 ►</td> <td style="border: 1px solid black; padding: 2px 20px;">\$</td> <td>2013 ►</td> <td style="border: 1px solid black; padding: 2px 20px;">\$</td> </tr> </table>			2010 ►	\$	2012 ►	\$	2011 ►	\$	2013 ►	\$
2010 ►	\$	2012 ►	\$							
2011 ►	\$	2013 ►	\$							
<p>5. OPERATING EXPENSES</p> <p>Omitting the expenditure categories above (i.e., payroll and capital improvements) please estimate how much was spent for all other operating expenses in 2013.</p> <p>2013 Operating Expenses ► \$</p>										
<p>Thank you!</p>										

SOURCE: Ricondo & Associates, Inc., February 2014.
 PREPARED BY: Ricondo & Associates, Inc., February 2014.

EXHIBIT 3-1

Economic Impact Study Tenant Survey

Indirect economic impacts are associated with expenditures made by general aviation visitors to the area. This category includes estimated air traveler visitors arriving at the Airport by private aircraft service. For these analyses, these air traveler visitors were assumed to be the transient portion of itinerant general aviation activity at the Airport.⁴ To estimate economic impacts associated with general aviation visitors, rules of thumb provided by the Aircraft Owners and Pilots Association (AOPA) and the General Aviation Manufacturers Association (GAMA) were used in conjunction with activity data for the Airport. It should be noted that this methodology differs from the approach used in the 2008 Study due to limited passenger data and expenditure amounts for general aviation visitors to the area. As a result, the total indirect economic impacts for the 2008 Study are considered extremely conservative when compared to the results of the 2013 Study.

Induced impacts are frequently used in economic impact studies, which are the multiplier effects of the increases in employment and expenditures created by successive rounds of local spending and hiring. For the purposes of the 2013 Study, multiplier factors to determine the induced impacts were not used in order to prevent overstating the total impact, which is consistent with the methodology used for the 2008 Study. As a result, total economic impact was determined by the sum of the direct (airport tenants) and indirect (general aviation visitors) impacts.

3.2 CY 2013 Economic Impact

3.2.1 DIRECT ECONOMIC IMPACT

As previously shown on Table 2-1, there are 20 tenants located at the Airport offering a variety of aviation related services that determine the direct economic impacts of the Airport's operations. These tenants include the following businesses:

- Accurate Aircraft Repair, Inc.
- American Flyers Flight School
- Aviation Center of Pompano
- Aviation Specialty Services Corporation
- Boat Pix
- Florida Aviation Academy
- Florida Coast to Coast Helicopters, Inc.
- Goodyear Airship Operations
- Helicopter Parts & Service, Inc.

⁴ By definition, true transient flights departed from an airport at least 150 miles away from the Airport. According to industry standards, approximately 20 percent of general aviation itinerant operations are typically true transient flights.

- Jacobs Aviation, LLC
- Jet Sales International
- Learn To Fly Center, Inc.
- Majestic Jet
- Pompano Beach Airpark
- PRO Aircraft Interiors, Inc.
- Robinson Aviation, Inc.
- Ruben Sotelo
- SheltAir Aviation Services
- Tornado Aircraft
- Worldwide Elite

Based on the data provided by the Airports' tenants and estimates extrapolated by the R&A Team, the summary of the direct economic impact is presented below in **Table 3-1**.

Table 3-1: Summary of CY 2013 Direct Economic Impact

TYPE OF EMPLOYEE	NUMBER OF EMPLOYEES	CATEGORY	DIRECT IMPACT
Full-Time	155	Payroll Expenses	\$9,465,000
Part-Time	20	Capital Improvement Expenditures ^{2/}	\$5,417,000
Contract	30	Operating Expenses	\$25,789,000
Full-Time Equivalent ^{1/}	180	Total Direct Economic Impact	\$40,671,000

NOTES:

1/ Part-time and contract employees are counted as one-half of an employee.

2/ Average annual capital improvement expenditures for CY 2010 through CY 2013 for Airport tenants providing a survey response.

SOURCE: Ricondo & Associates, Inc., August 2014.

PREPARED BY: Ricondo & Associates, Inc., August 2014.

As shown in Table 3-1, the total direct economic impact for the Airport is estimated to be approximately \$40,671,000 in CY 2013, which includes the sum of payroll expenses, average annual capital improvement expenditures, and operating expenses. Total employment is estimated to be approximately 180 full-time equivalent positions.

3.2.2 INDIRECT ECONOMIC IMPACT

To estimate indirect economic impacts associated with general aviation visitors, data provided by AOPA, GAMA, and Airport records were used. The data and assumptions made to estimate general aviation visitors at the Airport were as follows:

- Visiting general aviation operations can be correlated with the number of itinerant aircraft arrivals at the Airport. In CY 2013, the FAA Tower recorded 44,783 general aviation itinerant operations at the Airport.
- The number of arrivals performed by true transient aircraft is required to calculate general aviation visitor impacts. By definition, true transient flights departed from an airport at least 150 miles away from the Airport. According to industry standards, approximately 20 percent of general aviation itinerant operations are typically true transient flights. As a result, approximately 9,000 general aviation arrivals at the Airport were estimated to be true transient arrivals in CY 2013.
- According to industry standards, a transient general aviation flight carries an average of 4.0 persons per aircraft. This figure includes only passengers and excludes the pilot. Using this industry-wide rule of thumb, the number of general aviation visitors at the Airport in CY 2013 was estimated to be approximately 36,000 visitors.

Visitors using general aviation aircraft also have expenditures such as lodging, food and beverage, transportation, and entertainment; thereby generating economic impacts in the Airport's primary service area. For purposes of these analyses, general aviation visitor expenditures per trip were assumed to be \$390 based on data collected from passenger surveys for general aviation airports with comparable activity.⁵ As a result, total indirect economic impact generated by general aviation visitors using the Airport is estimated to be approximately \$13,972,000 in CY 2013.

3.2.3 TOTAL ECONOMIC IMPACT

Table 3-2 summarizes the combined economic impact for airport tenants (direct impact) and general aviation visitors (indirect impact). As shown, total economic impact for the Airport is estimated to be approximately \$54,643,000 in CY 2013.⁶

⁵ Source: CDM Smith Inc., August 2014.

⁶ As previously discussed in section 3.1, the methodology for the 2008 Study differed from the 2013 Study due to missing survey data to estimate direct economic impacts and limited passenger data and expenditure amounts for general aviation visitors to the area to estimate indirect economic impacts for the 2008 Study. These factors combined with an improved economic climate in 2013 result in the total economic impact for the Airport to be considerably higher in the 2013 Study.

Table 3-2: Total CY 2013 Economic Impact

CATEGORY	IMPACT
Payroll Expenses	\$9,465,000
Capital Improvement Expenditures ^{1/}	\$5,417,000
Operating Expenses	\$25,789,000
Subtotal Direct Economic Impact	\$40,671,000
General Aviation Visitors' Expenditures	\$13,972,000
Subtotal Indirect Economic Impact	\$13,972,000
Total Economic Impact	\$54,643,000

NOTES:

1/ Average annual capital improvement expenditures for CY 2010 through CY 2013 for Airport tenants providing a survey response.

SOURCE: Ricondo & Associates, Inc., August 2014.

PREPARED BY: Ricondo & Associates, Inc., August 2014.

4. Benchmarking Analysis

4.1 Methodology

As part of the Business Plan, a benchmarking analysis was performed to assess the external environment, which allows airport organizations to:

- Identify the organization's weaknesses (in comparison to other airports) and practices that can be adopted, improved, or eliminated.
- Identify the organization's strengths or other airports' best practices that could be integrated into the organization. Benchmarking allows the identification of trends in the industry which the organization may decide to further investigate or adopt.
- Define peer airports that have similar characteristics in terms of traffic type (i.e., corporate aviation versus traditional/recreational general aviation), airport infrastructure, community demographics/user profiles, or governing entity (i.e. Authority vs. local government).
- Identify the airport's competitors, which may be defined differently based on the organization's process/activity being reviewed. For instance, airport competitors could be defined based on their geographic locations and the number of potential users they can attract, while other competitors may be defined based on the volume of general aviation operations handled at their airports. Competitors may also include other transportation modes, such as rail and ground transport.

Other benefits associated with a benchmarking analysis as part of the review of the external environment include:

- To provide a better knowledge of peer/competitor airport performance and management practices.
- To provide a deeper understanding of the organization's processes.
- To identify new technologies and practices that may have been implemented at other airports.
- To encourage the organization to look forward.

Five airports in Florida as well as three airports outside of Florida with comparable operating characteristics were selected for comparison to the Airport and include the following:

- Kendall-Tamiami Executive Airport (TMB), recently renamed Miami Executive Airport, located in Miami-Dade County, Florida
- Palm Beach County Park (Lantana) Airport (LNA) located in Palm Beach County, Florida
- North Perry Airport (HWO) located in Broward County, Florida
- Page Field Airport (FMY) located in Lee County, Florida
- Vero Beach Municipal Airport (VRB) located in Indian River County, Florida
- Centennial Denver Airport (APA) located in Arapahoe County, Colorado
- Addison Airport (ADS) located in Dallas County, Texas
- McClellan-Palomar Airport located in San Diego County, California

After identifying appropriate comparison criteria, a questionnaire incorporating those criteria was developed. Each of the eight airports identified above responded to the questionnaire.

4.2 Summary of Key Benchmarking Findings

The questionnaire and responses from the participating airports are presented in **Table 4-1**. Some highlights of the benchmarking analysis include the following:

- Mission statements highlight providing quality service and being environmentally responsible, safe, and efficient.
- All airports cited revenue growth as first or second in terms of importance.
- Average term of tenant lease ranges from 20 to 40 years.
- A minimal percentage ranging from 0% to 3% of the airports' budgets goes towards marketing initiatives.
- Lack of land was cited as the most common constraint to growth, followed by high capital costs.
- More than half of the airports offer incentives to current leaseholders to encourage growth.
- Five of the eight airports have outstanding debt.
- Only one airport experienced a decrease in operations compared to previous year.
- All airports experienced growth in fuel sales compared to previous year.
- All airports, except one, have at least two runways with the longest runway length varying from approximately 3,000 to 10,000 feet.
- Annual operations for 2013 range from approximately 80,000 to 300,000 per year.

Table 4-1 (1 of 3): Benchmarking Analysis Results

	AIRPORT								
	POMPANO BEACH AIRPARK (PMP)	MIAMI EXECUTIVE AIRPORT (TMB) ^{1/}	PALM BEACH COUNTY PARK (LANTANA) AIRPORT (LNA) ^{2/3/}	NORTH PERRY AIRPORT (HWO) ^{2/}	PAGE FIELD AIRPORT (FMY)	VERO BEACH MUNICIPAL AIRPORT (VRB)	CENTENNIAL DENVER AIRPORT (APA)	ADDISON AIRPORT (ADS)	MCCLELLAN-PALOMAR AIRPORT (CLD)
Owner:	City of Pompano Beach	Miami-Dade County	Palm Beach County, Department of Airports	Broward County	Lee County Port Authority	City of Vero Beach	Arapahoe County Public Airport Authority	Town of Addison	County of San Diego - Department of Public Works
Operator:	City of Pompano Beach	Miami-Dade County Aviation Department	Galaxy Aviation (effective April 2014)	Broward County Aviation Department	Lee County Port Authority	City of Vero Beach	Arapahoe County Public Airport Authority	Private Management - URS (management, maintenance, operations) / SAMI (real estate/leasing and financial duties)	County of San Diego - Department of Public Works
Master Plan? (yes/no):	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
If yes, last update?:	2008	2014 - Expected	2006	2009	2006	2007	2008	2014 - In Progress	1997
Mission Statement? (yes/no):	No	Yes	No	Yes	No	Yes	Yes	Yes	Yes
Mission Statement	To provide a safe and secure airport environment for the tenants, operators and general aviation flying public. To promote a spirit of cooperation between the users and local citizens to alleviate and mitigate noise concerns. Ensure the airport continues to be an asset to the City and a benefit to the community.	To cost effectively operate airport facilities that are safe, efficient, customer friendly, environmentally responsible and contribute to the growth of the community	N/A	To provide a safe and secure air transportation system that is economically and environmentally sustainable while supporting regional growth	N/A	The mission of the Airport is to provide safe and efficient aviation facilities and associated services to both commercial and non-commercial users, while operating in harmony with the community's quality of life goals	The mission of Centennial Airport is to provide safety, security and service	To be a safe, thriving General Aviation Airport that delivers the "Addison Way" with superior services, an attractive appearance and enhanced sense of community, offering a high-quality experience for tenants, businesses, visitors and all stakeholders. Addison Airport will lead the way in creativity, innovation, and environmental and fiscal responsibility within a culture of excellence and regard for others	To operate and maintain, safely, efficiently, and cost effectively, the eight County airports, airstrips, and airpark, as part of the National Air Transportation System, in conformance with Federal, State, and local rules, regulations and ordinances and without cost to the County General Fund
Please rank the following in terms of importance: (1 being most important)									
Revenue Growth	1	1	1	2	2	2	2	2	2
Activity Growth	5	2	2	3	3	5	5	3	4
Exceptional Service	2	5	5	1	1	1	1	1	1
Low Costs	4	4	3	4	4	3	4	5	5
Low Debt	3	3	4	5	5	4	3	4	3
How many tenants/businesses operate in your airport?	Approx. 20	15 businesses	14 support businesses, flight schools, etc.	13 master tenants, 8 sub-tenants	300+	100+	200+	Approx. 70 businesses	90 lessees/licensees, 110 sublessees
What is the average term of a lease agreement?	30 yrs.	Up to 5 yrs. for standard lease, 20 yr. minimum for development lease (depends on investment)	Master lease with FBO is 30 yrs.	30 yrs.	Mo.-to-mo. for hangars, 30 yr. ground leases	30 yrs.	40 yrs.	1 yr. for T-hangars, up to 40 yr. ground leases	40 yrs.
Revenue Breakdown (Please list the percentage of revenues from each source):									
FBO	30%	10%	100%	0%	0%	25%	7%	0%	-
Ground Rents	30%	41%	0%	78%	19%	47%	28%	47%	-
Fuel Sales	3%	10%	0%	2%	35%	5%	44%	17%	-
Hangar Rents	0%	24%	0%	0%	21%	15%	6%	20%	-
Other Building Rents	1%	12%	0%	18%	18%	7%	2%	13%	-
Landing/User Fees	0%	0%	0%	3%	3%	0%	0%	3%	-
Other (parks, golf courses, restaurants, interest)	36%	3%	0%	0%	5%	1%	13%	1%	-
Total:	100%	100%	100%	100%	100%	100%	100%	100%	-

Table 4-1 (2 of 3): Benchmarking Analysis Results

	AIRPORT								
	POMPANO BEACH AIRPARK (PMP)	MIAMI EXECUTIVE AIRPORT (TMB) ^{1/}	PALM BEACH COUNTY PARK (LANTANA) AIRPORT (LNA) ^{2/3/}	NORTH PERRY AIRPORT (HWO) ^{2/}	PAGE FIELD AIRPORT (FMY)	VERO BEACH MUNICIPAL AIRPORT (VRB)	CENTENNIAL DENVER AIRPORT (APA)	ADDISON AIRPORT (ADS)	MCCLELLAN-PALOMAR AIRPORT (CLD)
Which corporations use your airport?	-	Mostly small to medium companies (real estate), Leon Medical Center, companies can bring executives through FBOs	Unknown	Only corporations with rental agreements - no other corporations base at North Perry	Chicos, 21st Century Oncology, NetJets, Koehler	Various	Lockheed Martin, Sierra Nevada, Century Link, ReMax, Liberty Media, Air Methods, General Electric, Wal-Mart, ExxonMobil, others	PepsiCo, Yum! Brands, Mary Kay, FlexJet, others	Qualcomm, SkyWest, Avis, Hertz
What percentage of your customers are corporations?	-	Very low	Approx. 5% of traffic is business/corporate related	All tenants are corporations	75%	90%	95%	Approx. 60%	50%
What percentage of your customers are individuals?	-	Close to 100%	Approx. 80% (50% based, 30% transient)	Most base aircraft owners are individuals	20%	10%	5%	Approx. 40%	45%
Is your marketing strategy primarily aimed at corporations, individuals, or both?	Tenants' responsibility	-	Rely on FBO for promotion of airport	Focus is on recruiting tenants, the airport does not market to end users	Both	Both	Primarily aimed at businesses based on and near the airport, with a focus on new corporate development; high-end tourism a close second	Primarily business aviation	Both
What methods of advertising do you use for potential customers?	Tenants' responsibility	MIA website, RFP for specific facilities	Rely on FBO for promotion of airport	Word-of-mouth, on-site signage, web presence	Online, print, trade shows	Local, statewide, website, social media, etc.	Social media, website, and well-crafted feature pieces on airport, tenants, and successes; strong partnerships with local Chambers of Commerce and Economic Development organizations	Website, social media, trade shows	A combination of print media/online advertising
How do you measure marketing success?	Tenants' responsibility	-	Rely on FBO for promotion of airport	By number of inquiries generated	By sales growth and customer base	No proven metric to-date	By online analytics, new tenants, and partnerships affirmed	-	By website hits/search engine statistics
What percentage of your budget goes towards marketing initiatives?	0%	-	0%	<2%	1%	1%	1%	3%	-
Briefly describe your procedure for undertaking new capital projects:	Established from Airport's Master Plan	Depends on County or private funding - Properties oversees private funding process, then Miami Dade Aviation Department executives make decisions;F&M oversees County funding	-	All capital projects are identified in the Master Plan and vetted throughout capital improvement planning process	Maximizing grants is the first priority	Airport Master Plan	Coordinate with the FAA to have the project scheduled on CIP, budget for matching funds, have as much of the planning, engineering and bids for the project completed ahead of time so Airport is "shovel ready"	Most big airside projects are AIP, airport staff develops CIP and coordinates with TX-DOT and sponsor (a new fuel farm funded by approx. \$4 million of airport revenue bonds is an exception)	Group effort involving key airport staff to identify current and future needs of the airport; County of San Diego Airports prepares a 5-Year CIP annually
What funding sources are used for these capital projects?	Federal, state, local	Mostly private	FAA and FDOT grant funding, local funding	FAA and FDOT grants along with county matching funds	Grants (FAA-FDOT) and discretionary	FAA, FDOT, local	Federal and state grants, airport	AIP and local matching from working capital	Primarily FAA, the state of California does not fund commercial service airports
Percentage breakdown of funding sources:	80%-90% for federal/state funding	Varies depending on projects - Two capital projects undertaken during last 5 years: a runway extension project with 77.2% FAA grant reimbursement and 1.8% FDOT grant reimbursement, as well as bond proceeds, and a demolition and replacement of two buildings funded from Bond proceeds	Varies depending on project - 90% for FAA grants, 50% for state grants, and some PFC dollars also allocated; current contract provision requires Department of Airports to reimburse FBO for certain improvements from funds that will be 100% local	Approx. 80% grant, 20% match	Varies depending on projects	45% FAA, 45% FDOT, 10% local	80% federal, 5% state, 15% airport	Typically 90% state/federal for AIP projects, 75% state on some smaller projects (25% local)	90% FAA, 10% County of San Diego Airport Enterprise Fund
Do you experience any constraints to growth such as land, capital, or lack of demand?	Capital, lack of demand	No	High capital cost for development of infrastructure on certain areas of the airfield	Land limited, little or no internal capital for construction	Land lock, competition by nearby GAs, undeveloped property, age of some facilities (old office buildings, hangars)	Slow economy, government regulation	Not too many constraints currently; biggest constraint in future will probably be the availability of land with airfield access	Out of land to develop (new projects are all going to be redevelopment), capital	Limited by lack of land available for development and infrastructure
Have you found any innovative ways to overcome these constraints?	No	N/A	Land has been offered (unsuccessfully) through RFP	Strategic partnerships with developers	Obsolete terminal building has been leased to government agencies	Negotiate lease terms	Purchased property around the airport during down economic times when the price of the land was lower	Purchased two parcels of developed land over the last year using GO bond funds (\$7 million)	-
Does the airport offer incentives to current leaseholders to encourage growth?	Yes	Yes	Yes	Yes	No	Yes	No	No	No
If so, what are they?	Economic incentives (where applicable)	Landing fees, long-term contracts	FBO has 30 yr. long term lease agreement by which they can amortize required capital investment of \$5.5 million	First-year rent abatement	N/A	Enterprise zone, longer term leases, flexible terms	N/A	N/A	N/A

Table 4-1 (3 of 3): Benchmarking Analysis Results

	AIRPORT								
	POMPANO BEACH AIRPARK (PMP)	MIAMI EXECUTIVE AIRPORT (TMB) ^{1/}	PALM BEACH COUNTY PARK (LANTANA) AIRPORT (LNA) ^{2/,3/}	NORTH PERRY AIRPORT (HWO) ^{2/}	PAGE FIELD AIRPORT (FMY)	VERO BEACH MUNICIPAL AIRPORT (VRB)	CENTENNIAL DENVER AIRPORT (APA)	ADDISON AIRPORT (ADS)	MCCLELLAN-PALOMAR AIRPORT (CLD)
What are your cost centers?	-	-	-	-	Base Operations, Operations	Airfield Maintenance, Personnel, Marketing, etc.	-	Personnel, Maintenance, G&A, Contractual Services	Aeronautical, Non-Aeronautical
Are there any state / county / city funds to guarantee the Airport can maintain operation?	City funds	No	-	County-operated	No	-	No	Self-supporting; operates in the black, generating around \$500,000 in working capital per year	Federal and state
What prevention techniques are used to remain within your budget?	Per City policy, the airport is not authorized to spend more than its available appropriations	Enterprise resource planning commitment control	-	Monthly management review	Monthly budget status reports	Personnel cuts, delay capital expenditures	Managers are part of budget development; budget management is part of Manager Performance Expectations; detailed monthly budget to actual reporting	Conservative budgeting practices	Per County of San Diego policy and system controls, the airport is not permitted to spend more than its available appropriations
What is the average life of your accounts receivable?	30 days	45 days	-	< 60 Days	30 days	30 days	17 days	Most are under 31 days	-
Amount of Outstanding Debt?	\$0	\$14,516,724	-	-	\$3,437,000	\$0	\$5,200,000	Approx. \$2,000,000	Approx. \$3,700,000 ^{4/}
Annual Debt Service?	\$0	\$914,518	-	-	\$403,000	\$0	\$1,670,000	\$290,000	\$197,200 ^{5/}
How do your operations compare on a percentage basis to one year ago?	+ < 5%	+ 15.7%	-	+ 13%	+ 0.8%	+ 28%	+ 6% YTD	- 3.3% (CY13 to CY12)	+ 13%
How do fuel sales compare to one year ago?	+ 36% (FY 2012 to FY 2013)	+ 10%	-	-	+ 1.4%	+ 5%	+ 11.3% YTD	+ 1.1% (CY13 to CY12)	-
Length of your longest runway (ft.)	4,918	6,000	3,490	3,260	6,406	7,300	10,000	7,202	4,900
Number of runways	3	3	3	4	2	3	3	1	2
What are the following rates, fees, charges at your airport?									
T Hangar Rent	Determined by FBO	-	Varies based on size, rates based on appraisal	\$475 to \$700/mo.	\$326 (average)	\$400	Determined by FBOs	\$260/mo. for 'patio', up to \$700/mo. for 60x40 T	Airport does not lease any hangars, hangars are leased by FBOs
Corporate Hangar rent	Determined by FBO	-	Varies based on size, rates based on appraisal	\$8-\$10 sq. ft./yr.	\$685 (average)	\$1,200	Determined by FBOs	\$4.00 to \$6.25 per SF	Airport does not lease any hangars, hangars are leased by FBOs
Tie-Down Fees	Determined by FBO	-	Determined by FBO	\$55-\$80	\$33 (average)	Determined by FBO	Determined by FBOs	\$20 to \$225/day based on a/c size	\$165/mo.
Fuel Prices for each type fuel (\$/Gallon)	Sheltair Aviation (7/15/2014)	AirNav (5/9/2014)	AirNav (4/25/2014)	Survey (4/29/2014)	Av Fuel (5/9/2014 - March YTD)	AirNav (6/4/2014)		FltPlan.com (4/8/2014)	Airport (6/19/2014)
Jet A	\$5.88	\$5.50 to \$5.85	\$6.20	\$5.55	\$4.83	\$5.26	Determined by FBOs	\$6.51 to \$6.59	\$5.56 to \$6.87
100LL	\$6.97	\$6.00 to \$7.25	\$7.10	\$6.09	\$4.87	\$6.18	Determined by FBOs	\$7.62 to \$7.71	\$5.89 (SS), \$6.18 to \$6.47 (FS)
ATADS Annual Operations (CY2013)	128,728	243,929	130,000	149,774	81,209	185,000	301,476	94,008	160,290
Itinerant	45,584	132,236	-	57,268	47,332	-	177,444	88,632	98,642
Local	83,144	111,693	-	92,506	33,877	-	124,032	5,376	61,648

NOTES:

- denotes no response given

1/ Kendall-Tamiami Executive Airport was recently renamed Miami Executive Airport.

2/ Lantana Airport's and North Perry Airport's survey responses note that because LNA/HWO is one of several airports in its airport system, answers to some survey questions with information exclusive to LNA/HWO was difficult or impossible to provide.

3/ Effective April 2014, Lantana Airport's FBO changed and the operating agreement changed significantly. Survey answers were given based on the expected returns.

4/ McClellan-Palomar Airport's \$3.7 million debt, as of June 30, 2013, includes total (current and non-current) liabilities.

5/ McClellan-Palomar Airport reports the average annual debt service for its tower/sewer loan in the remaining years 14 through 17 is \$197,200.

SOURCES: Addison Airport, April 2014; Lantana Airport (Palm Beach Airports), April 2014; North Perry Airport, April 2014; Kendall-Tamiami Executive Airports, May 2014; Page Field (Fort Meyers), May 2014; Centennial Denver Airport, June 2014; McClellan-Palomar Airport, June 2014; Vero Beach Municipal Airport, April 2014; Pompano Beach Airpark, July 2014.

PREPARED BY: Ricondo & Associates, Inc., September 2014.

5. Financial Analysis

5.1 Introduction

This section examines the financial implications of the proposed CIP for fiscal year⁷ (FY) 2014 through FY 2024 at the Airport. O&M expenses, operating revenues, and cash flow scenarios are projected for the ten-year period FY 2015 through FY 2024 (Projection Period).

5.2 Financial Framework

As discussed in section 2.1, the Airport is a public use facility owned and operated by the City. The Airport is a self-supported division of the Public Works Department and receives its operating revenues from tenant land leases and rental payments, along with concession and royalties received from fuel flowage fees. These sources of operating revenue are paid into the Airport Enterprise Fund, which operates on a balanced budget with recurring operating revenues equaling current, ongoing O&M expenses. Although the Airport differentiates O&M expenses by type of expense, the Airport does not utilize a cost center structure that differentiates O&M expenses and operating revenues by airport area. The Airport has no outstanding debt and the majority of its capital costs are funded by the Florida Department of Transportation (FDOT) and the FAA.

In 2007, the City established an Airport Capital Improvements account by paying fair market value of approximately \$8.5 million for the following parcels of land that no longer remain as Airport premises: one-half of the golf course (parcel 2b), water reuse plant (parcel 3), public works compound/water treatment plant (parcel 6), fire station #24 (parcel 7), municipal stadium (parcel 8a), amphitheater/recreation center/civic center (parcel 8b), and tennis and aquatics center (parcel 8c). The City and the FAA agreed to use all funds in the Airport Capital Improvements account, including interest earned, to make significant improvements to the Airport through the funding of specified capital improvement projects.

⁷ Fiscal year is twelve months ending September 30.

5.3 Baseline Scenario

A financial model was developed to measure the net operating revenues including projections for the ten-year Projection Period. The Baseline Scenario incorporates the Airport's current CIP and assumes no new revenue sources or O&M expenses.

5.3.1 CAPITAL IMPROVEMENT PROGRAM – BASELINE SCENARIO

The Airport's CIP includes approximately \$19.0 million in project costs for FY 2014 through FY 2024.⁸ Project descriptions for the 12 projects included in the Airport's CIP are presented on **Table 5-1**.

Table 5-2 presents the project costs and funding sources by project and fiscal year for the Baseline Scenario. As shown, the total project costs (in 2014 dollars) of approximately \$19.0 million between FY 2014 and FY 2024 will be funded by FDOT (approximately \$3.9 million), FAA Airport Improvement Program (AIP) grants (approximately \$13.9 million), and Airport funds (approximately \$1.2 million).

5.3.2 OPERATING AND MAINTENANCE EXPENSES – BASELINE SCENARIO

O&M expenses are categorized into personal services and operating expenses. **Table 5-3** summarizes O&M expenses by type for budget FY 2014 and projected FY 2015 through FY 2024 for the Baseline Scenario.

As shown, total O&M expenses for the Airport are budgeted to be approximately \$1.0 million in FY 2014 and are projected to increase to approximately \$1.3 million in FY 2024. This increase in total O&M expenses projected between FY 2014 and FY 2024 represents a compound annual growth rate of 3.0 percent. The projections for O&M expenses are based on a review of historical growth rates for each of the expense types as well as the anticipated impacts of the CIP and inflation.

5.3.3 OPERATING REVENUES – BASELINE SCENARIO

Revenues at the Airports consist primarily of land and city facility leases. A summary of the Airport's leases is presented in **Table 5-4**.

In addition to the five land and two City facility leases presented on Table 5-4, additional sources of revenue for the Airport include fuel flowage fees, utility expense reimbursement, and interest earnings. **Table 5-5** presents a summary of total operating revenues at the Airport for budgeted FY 2014 and projected FY 2015 through FY 2024. As shown, revenue for land leases is budgeted to be approximately \$616,000 in FY 2014 and is projected to increase to approximately \$859,000 in FY 2024. This increase represents a compound annual growth rate of 3.4 percent from FY 2014 to FY 2024. Rental amounts for land leases are increased on an annual basis by 3.0 percent throughout the term of the agreement.

⁸ All project costs discussed in this section reflect 2014 dollars.

Table 5-1: Description of Capital Improvement Program Projects – Baseline Scenario

PROJECT	DESCRIPTION
General Aviation Security Enhancements	This project will increase security lighting around the ATCT and Administrative Building, upgrade the controlled access points, and add security cameras in strategic locations.
Financial/Business Plan	Development of this business plan by the R&A Team to establish a financial framework for the Airport's enterprise fund to assist the City and Airport Manager in planning and programming for capital investment, management, and land use decision-making as it relates to the City's overall strategic plan.
Design/Construct Taxiway D (Relocate) and Construct S and T	This project will include the realignment of Taxiway Delta to current Runway/Taxiway Design Standards and open the area up for future development. Additionally, Taxiway connectors Sierra and Tango will connect the new Taxiway Delta to Runway 15-33.
Wildlife Assessment Study	Conducted by a wildlife management biologist, this study provides the scientific basis for the development, implementation, and refinement of a wildlife hazard management plan. The plan will include site inspections, identification of potential hazardous wildlife species, identification and location of wildlife attractants, and development of recommendations on reducing attractants.
Develop Landside/Airside for Parcel "YY"	In order to provide the infrastructure for a tenant to develop the parcel, site access and public utilities must be provided. This task will provide public access and potable water and wastewater facilities to the parcel. The tenant will then be responsible for the parcel build out.
Administration Building Renovations	Constructed more than 40 years ago, the Administration Building is in need of renovation including new flooring, painting, upgrading restrooms, upgrading the facility to current codes, and weatherizing the building for seasonal hurricanes.
Design Runway 10-28	Runway 10-28 is one of three runways on the Airport and is considered the secondary runway to 15-33. In the FDOT statewide Pavement Evaluation Report, a Pavement Condition Index (PCI) of 79 or satisfactory rating was assigned to the runway. FDOT minimum service level for a runway is 75. This task will develop the construction documents necessary to provide a structural overlay on the runway bringing the PCI back to near 100.
Rehabilitate Runway 10-28 and Construct Runway 10-28 Extension	This project will implement the construction documents prepared as part of the design of Runway 10-28 as well as provide a 298' runway extension. As the secondary runway to the primary runway 15-33, its recommended length is at least 80% of the length of the primary runway.
New Air Traffic Control Tower Siting Study	As the Airport continues to develop there will be a need to assess the current height and location of the existing ATCT. With the tower being over 40 years old, it doesn't comply with current building codes and should be updated to current FAA tower functional requirements. Additionally, its current location should be evaluated to ensure future development does not impact line of site or operational use of the ATCT.
Design New Air Traffic Control Tower	This task will include the design of the new ATCT in the location recommended in the siting study.
Construct New Air Traffic Control Tower	This project will include the construction of the new ATCT that will comply with current building codes and FAA tower functional requirements. The ATCT will be constructed in the location recommended in the siting study.
Design/Construct Taxiway Quebec	Taxiway Quebec is a proposed taxiway that will run parallel to Runway 10-28 on the north side of the runway. This taxiway will provide access to Runway 10-28 to tenants north of the runway near the Goodyear base and parcels being developed in the future. The taxiway will be designed to airplane group II standards with a taxiway width of 35 feet.

SOURCE: Kimley-Horn & Associates, Inc., August 2014.

PREPARED BY: Ricondo & Associates, Inc., August 2014.

Table 5-2 (1 of 2): Capital Improvement Program (FY 2014 – FY 2024) – Baseline Scenario (Escalated Dollars)

FISCAL YEAR	PROJECTED											Total
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	
Total Project Costs												
General Aviation Security Enhancements	\$139,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$139,000
Financial/Business Plan	65,100	0	0	0	0	0	0	0	0	0	0	65,100
Design/Construct Taxiway D (Relocate) and Construct S and T	259,826	2,408,585	0	0	0	0	0	0	0	0	0	2,668,411
Wildlife Assessment Study	0	0	204,853	0	0	0	0	0	0	0	0	204,853
Develop Landside/Airside for Parcel "YY"	0	627,236	0	0	0	0	0	0	0	0	0	627,236
Administration Building Renovations	0	0	0	848,103	0	0	0	0	0	0	0	848,103
Design Runway 10-28	0	0	0	0	889,673	0	0	0	0	0	0	889,673
Rehabilitate Runway 10-28 and Construct Runway 10-28 Extension	0	0	0	0	0	4,213,608	0	0	0	0	0	4,213,608
New Air Traffic Control Tower Siting Study	0	0	0	0	0	0	641,592	0	0	0	0	641,592
Design New Air Traffic Control Tower	0	0	0	0	0	0	0	660,840	0	0	0	660,840
Construct New Air Traffic Control Tower	0	0	0	0	0	0	0	0	4,424,325	0	0	4,424,325
Design/Construct Taxiway Quebec	0	0	0	0	0	0	0	0	0	346,180	3,209,092	3,555,272
Total Project Costs	\$463,926	\$3,035,821	\$204,853	\$848,103	\$889,673	\$4,213,608	\$641,592	\$660,840	\$4,424,325	\$346,180	\$3,209,092	\$18,938,013
State Project Costs												
General Aviation Security Enhancements	\$111,200	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$111,200
Financial/Business Plan	52,080	0	0	0	0	0	0	0	0	0	0	52,080
Design/Construct Taxiway D (Relocate) and Construct S and T	207,861	192,687	0	0	0	0	0	0	0	0	0	400,547
Wildlife Assessment Study	0	0	163,882	0	0	0	0	0	0	0	0	163,882
Develop Landside/Airside for Parcel "YY"	0	501,789	0	0	0	0	0	0	0	0	0	501,789
Administration Building Renovations	0	0	0	678,482	0	0	0	0	0	0	0	678,482
Design Runway 10-28	0	0	0	0	44,484	0	0	0	0	0	0	44,484
Rehabilitate Runway 10-28 and Construct Runway 10-28 Extension	0	0	0	0	0	337,089	0	0	0	0	0	337,089
New Air Traffic Control Tower Siting Study	0	0	0	0	0	0	513,274	0	0	0	0	513,274
Design New Air Traffic Control Tower	0	0	0	0	0	0	0	528,672	0	0	0	528,672
Construct New Air Traffic Control Tower	0	0	0	0	0	0	0	0	110,608	0	0	110,608
Design/Construct Taxiway Quebec	0	0	0	0	0	0	0	0	0	276,944	148,419	425,364
Total State Project Costs	\$371,141	\$694,475	\$163,882	\$678,482	\$44,484	\$337,089	\$513,274	\$528,672	\$110,608	\$276,944	\$148,419	\$3,867,470

Table 5-2 (2 of 2): Capital Improvement Program (FY 2014 – FY 2024) – Baseline Scenario (Escalated Dollars)

	PROJECTED											
FISCAL YEAR	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Total
FAA Project Costs												
General Aviation Security Enhancements	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Financial/Business Plan	0	0	0	0	0	0	0	0	0	0	0	0
Design/Construct Taxiway D (Relocate) and Construct S and T	0	2,167,726	0	0	0	0	0	0	0	0	0	2,167,726
Wildlife Assessment Study	0	0	0	0	0	0	0	0	0	0	0	0
Develop Landside/Airside for Parcel "YY"	0	0	0	0	0	0	0	0	0	0	0	0
Administration Building Renovations	0	0	0	0	0	0	0	0	0	0	0	0
Design Runway 10-28	0	0	0	0	800,705	0	0	0	0	0	0	800,705
Rehabilitate Runway 10-28 and Construct Runway 10-28 Extension	0	0	0	0	0	3,792,247	0	0	0	0	0	3,792,247
New Air Traffic Control Tower Siting Study	0	0	0	0	0	0	0	0	0	0	0	0
Design New Air Traffic Control Tower	0	0	0	0	0	0	0	0	0	0	0	0
Construct New Air Traffic Control Tower	0	0	0	0	0	0	0	0	4,203,109	0	0	4,203,109
Design/Construct Taxiway Quebec	0	0	0	0	0	0	0	0	0	0	2,912,253	2,912,253
Total FAA Project Costs	\$0	\$2,167,726	\$0	\$0	\$800,705	\$3,792,247	\$0	\$0	\$4,203,109	\$0	\$2,912,253	\$13,876,041
Airport Project Costs												
General Aviation Security Enhancements	\$27,800	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$27,800
Financial/Business Plan	13,020	0	0	0	0	0	0	0	0	0	0	13,020
Design/Construct Taxiway D (Relocate) and Construct S and T	51,965	48,172	0	0	0	0	0	0	0	0	0	100,137
Wildlife Assessment Study	0	0	40,971	0	0	0	0	0	0	0	0	40,971
Develop Landside/Airside for Parcel "YY"	0	125,447	0	0	0	0	0	0	0	0	0	125,447
Administration Building Renovations	0	0	0	169,621	0	0	0	0	0	0	0	169,621
Design Runway 10-28	0	0	0	0	44,484	0	0	0	0	0	0	44,484
Rehabilitate Runway 10-28 and Construct Runway 10-28 Extension	0	0	0	0	0	84,272	0	0	0	0	0	84,272
New Air Traffic Control Tower Siting Study	0	0	0	0	0	0	128,318	0	0	0	0	128,318
Design New Air Traffic Control Tower	0	0	0	0	0	0	0	132,168	0	0	0	132,168
Construct New Air Traffic Control Tower	0	0	0	0	0	0	0	0	110,608	0	0	110,608
Design/Construct Taxiway Quebec	0	0	0	0	0	0	0	0	0	69,236	148,419	217,655
Total Airport Project Costs	\$92,785	\$173,619	\$40,971	\$169,621	\$44,484	\$84,272	\$128,318	\$132,168	\$110,608	\$69,236	\$148,419	\$1,194,501

SOURCES: Pompano Beach Airpark, Ricondo & Associates, Inc., July 2014.

PREPARED BY: Ricondo & Associates, Inc., July 2014.

Table 5-3: Operating and Maintenance Expenses – Baseline Scenario ^{1/}

FISCAL YEAR	BUDGET	PROJECTED									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Personal Services											
Salaries	\$276,806	\$285,110	\$293,663	\$302,473	\$311,548	\$320,894	\$330,521	\$340,436	\$350,650	\$361,169	\$372,004
Accrued Vacation & Sick Leave	5,200	5,356	5,517	5,682	5,853	6,028	6,209	6,395	6,587	6,785	6,988
Temporary & Part Time	34,434	35,467	36,531	37,627	38,756	39,918	41,116	42,349	43,620	44,929	46,276
Overtime - Regular	1,215	1,215	1,215	1,215	1,215	1,215	1,215	1,215	1,215	1,215	1,215
FICA Taxes	24,301	25,030	25,781	26,554	27,351	28,172	29,017	29,887	30,784	31,707	32,659
General Employees - Retirement	63,549	65,455	67,419	69,442	71,525	73,671	75,881	78,157	80,502	82,917	85,405
Automobile	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200
Total Personal Services	\$406,705	\$418,834	\$431,326	\$444,194	\$457,447	\$471,098	\$485,158	\$499,641	\$514,557	\$529,922	\$545,747
Operating Expenses											
Other Professional	\$3,549	\$3,655	\$3,765	\$3,878	\$3,994	\$4,114	\$4,238	\$4,365	\$4,496	\$4,631	\$4,770
Accounting & Auditing	943	971	1,000	1,030	1,061	1,093	1,126	1,160	1,195	1,230	1,267
Administrative Service Charge	296,724	305,626	314,794	324,238	333,965	343,984	354,304	364,933	375,881	387,158	398,772
Central Services Charges	12,804	13,188	13,584	13,991	14,411	14,843	15,289	15,747	16,220	16,706	17,208
Central Stores Charges	1,987	2,047	2,108	2,171	2,236	2,303	2,373	2,444	2,517	2,593	2,670
Health Insurance Service Charges	69,544	73,021	76,672	80,506	84,531	88,758	93,196	97,855	102,748	107,886	113,280
Risk Management Services Charges	49,027	50,498	52,013	53,573	55,180	56,836	58,541	60,297	62,106	63,969	65,888
Vehicle Service Charges	66,070	68,052	70,094	72,196	74,362	76,593	78,891	81,258	83,695	86,206	88,793
Information Systems	6,430	6,623	6,822	7,026	7,237	7,454	7,678	7,908	8,145	8,390	8,641
Travel Education Member	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500
Postage	150	150	150	150	150	150	150	150	150	150	150
Electric	17,500	18,025	18,566	19,123	19,696	20,287	20,896	21,523	22,168	22,831	23,502
Water & Sewer	10,300	10,609	10,927	11,255	11,593	11,941	12,299	12,668	13,048	13,433	13,822
Land, Building, Improvements	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000
Machinery & Equipment	5,500	5,500	5,500	5,500	5,500	5,500	5,500	5,500	5,500	5,500	5,500
Maintenance Contracts	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000
Special Services	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Facility Maintenance	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Office Supplies	500	500	500	500	500	500	500	500	500	500	500
Chemicals/Horticultural	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Small Tools Minor Equipment	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000
Special Supplies	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500
Clothing	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400
Cleaning	250	250	250	250	250	250	250	250	250	250	250
Publications	166	166	166	166	166	166	166	166	166	166	166
Total Operating Expenses	\$594,844	\$612,281	\$630,311	\$648,955	\$668,235	\$688,173	\$708,795	\$730,124	\$752,185	\$778,634	\$802,352
Total Operating & Maintenance Expenses	\$1,001,549	\$1,031,115	\$1,061,637	\$1,093,148	\$1,125,682	\$1,159,271	\$1,193,953	\$1,229,764	\$1,266,743	\$1,308,556	\$1,348,099

NOTES:

1/ Certain O&M expenses are projected to remain flat over the projection period because they typically have not increased from year to year. Any unforeseen increases to those O&M expenses during the projection period are assumed to be insignificant and not impact the overall financial results.

SOURCES: Pompano Beach Airpark, Ricondo & Associates, Inc., July 2014.

PREPARED BY: Ricondo & Associates, Inc., July 2014.

Table 5-4: Summary of Airport Leases – Baseline Scenario

TENANT	PARCEL(S)	ESTIMATED ACREAGE	LEASE TERM ^{1/}	EXPIRATION DATE ^{1/}	2014 ANNUAL RENT	ESTIMATED RATE PER SQ FT ^{2/}
Land Leases:						
Ameriflyers of Florida, LLC	AAAA	5	10	1/13/2021	\$179,028	\$0.82
Sheltair Pompano Beach, LLC	B, C, D, DD, E, F	40	30	12/1/2038	\$309,382	\$0.18
Aviation Center of Pompano, Inc. ^{3/}	X	8	30	11/18/2043	\$22,915	\$0.07
Aviation Center of Pompano, Inc.	BB	5	30	10/18/2040	\$35,699	\$0.16
The Goodyear Tire & Rubber Company	A, A-ADD	33	50	8/16/2029	\$69,255	\$0.05
City Facility Leases:^{4/}						
Sand and Spurs Equestrian Park	5	15	N/A	N/A	\$223,535	\$0.34
Golf Course	2a	190	N/A	N/A	\$148,847	\$0.02

NOTES:

1/ Includes renewal options as defined in lease agreements.

2/ Estimated lease rate calculated based on 2014 annual rental revenues per square foot.

3/ Parcel X is a new lease agreement as of November 2013. Per the City, annual rent for 2014 is prorated at total monthly amount of \$4,583 for five months.

4/ The Sand and Spurs Equestrian Park and Golf Course are included in the Memorandum of Agreement between the FAA and the City. The terms of this agreement do not expire unless the uses of the properties are required for aviation purposes by the Airport.

SOURCE: Pompano Beach Airport, August 2014.

PREPARED BY: Ricondo & Associates, Inc., August 2014.

Table 5-5: Operating Revenues – Baseline Scenario

FISCAL YEAR	BUDGET	PROJECTED									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Land Leases:											
Ameriflyers of Florida, LLC (Parcel AAAA)	\$179,028	\$184,399	\$189,931	\$195,629	\$201,498	\$207,543	\$213,769	\$220,182	\$226,788	\$233,591	\$240,599
Sheltair Pompano Beach, LLC (Parcels B, C, D, DD, E, F)	309,382	318,663	328,223	338,070	348,212	358,658	369,418	380,500	391,915	403,673	415,783
Aviation Center of Pompano, Inc. (Parcel X)	22,915	56,646	58,345	60,096	61,898	63,755	65,668	67,638	69,667	71,757	73,910
Aviation Center of Pompano, Inc. (Parcel BB)	35,699	36,770	37,873	39,010	40,180	41,385	42,627	43,906	45,223	46,580	47,977
The Goodyear Tire & Rubber Company (Parcels A, A-ADD)	69,255	69,386	69,521	69,660	69,804	69,951	80,223	80,380	80,542	80,708	80,879
Total Land Leases	\$616,279	\$665,864	\$683,894	\$702,464	\$721,592	\$741,293	\$771,706	\$792,607	\$814,135	\$836,309	\$859,148
City Facility Leases:											
Sand and Spurs Equestrian Park (Parcel 5)	\$223,535	\$224,464	\$228,953	\$233,532	\$238,203	\$242,967	\$247,826	\$252,783	\$257,839	\$262,995	\$268,255
Golf Course (Parcel 2a)	148,847	151,824	154,860	157,958	161,117	164,339	167,626	170,978	174,398	177,886	181,444
Total City Facilities Leases	\$372,382	\$376,288	\$383,814	\$391,490	\$399,320	\$407,306	\$415,452	\$423,761	\$432,237	\$440,881	\$449,699
Fuel Flowage Fees: ^{1/}											
Sheltair	\$30,000	\$50,000	\$52,500	\$55,125	\$57,881	\$72,930	\$76,577	\$80,406	\$84,426	\$88,647	\$93,080
Pompano Aviation	0	12,500	13,125	13,781	14,470	18,233	19,144	20,101	21,107	22,162	23,270
Total Fuel Flowage Fees	\$30,000	\$62,500	\$65,625	\$68,906	\$72,352	\$91,163	\$95,721	\$100,507	\$105,533	\$110,809	\$116,350
Other Revenue:											
Reimbursement of FAA Utility Expense	\$6,520	6,288	\$6,477	\$6,671	\$6,871	\$7,077	\$7,290	\$7,508	\$7,733	\$8,762	\$9,025
Total Other Revenue	\$6,520	\$6,288	\$6,477	\$6,671	\$6,871	\$7,077	\$7,290	\$7,508	\$7,733	\$8,762	\$9,025
Total Operating Revenue (excluding Interest)	\$1,025,181	\$1,110,940	\$1,139,809	\$1,169,532	\$1,200,134	\$1,246,840	\$1,290,169	\$1,324,384	\$1,359,638	\$1,396,762	\$1,434,222
Interest											
Interest Earnings (General Operating Fund)	\$560	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Interest Earnings (Capital Improvement Fund)	10,343	97	97	98	98	99	99	100	100	101	101
Total Interest	\$10,903	\$97	\$97	\$98	\$98	\$99	\$99	\$100	\$100	\$101	\$101
Total Operating Revenues	\$1,036,084	\$1,111,037	\$1,139,907	\$1,169,629	\$1,200,233	\$1,246,938	\$1,290,268	\$1,324,483	\$1,359,738	\$1,396,862	\$1,434,323

NOTES:

1/ Fuel flowage fees exclude sales tax.

SOURCES: Pompano Beach Airpark, Ricondo & Associates, Inc., July 2014.

PREPARED BY: Ricondo & Associates, Inc., July 2014.

City facility lease revenue is budgeted to be approximately \$372,000 in FY 2014 and is projected to increase to approximately \$450,000 by FY 2024. This increase represents a compound annual growth rate of 1.9 percent between FY 2014 and FY 2024. As noted in Table 5-4, the Sand and Spurs Equestrian Park and Golf Course are included in the Memorandum of Agreement between the FAA and the City. These parcels are for non-aeronautical use and generate greater lease revenue than land used for aeronautical purposes. Annual revenue for these non-aeronautical leases was established using the appraised fair market value of the land parcels and a 5.0 percent capitalization rate, as outlined in the agreement, and are increased on an annual basis to account for inflation.

The Airport currently collects fuel flowage fees at a rate of \$0.05 per gallon from Sheltair and will begin collecting fuel flowage fees at this same rate from Pompano Aviation in FY 2015. In FY 2019, the Airport plans to increase fuel flowage fees from \$0.05 per gallon to \$0.06 per gallon. As shown on Table 5-5, fuel flowage fees are budgeted to be approximately \$30,000 in FY 2014 and are projected to increase to approximately \$62,500 in FY 2015 with the addition of Pompano Aviation. Fuel flowage fees are projected to increase to approximately \$116,000 in FY 2024, which represents a compound annual growth rate of 14.5 percent from FY 2014 to FY 2024.

Other revenue generated at the Airport is for the reimbursement of utility expense by the FAA for the use of the ATCT. As shown on Table 5-5, utility expense reimbursement is budgeted to be approximately \$6,500 in FY 2014 and is projected to increase to approximately \$9,000 in FY 2024. This increase represents a compound annual growth rate of 3.3 percent from FY 2014 to FY 2024 and accounts for an anticipated increase in utility usage in FY 2023 due to the construction of a new ATCT that is included in the Airport's CIP.

Interest is earned on the Airport's general operating and capital improvement funds. As shown, interest earnings are budgeted to be approximately \$11,000 in FY 2014 and are projected to decrease to approximately \$100 beginning in FY 2015 through FY 2024 due to the depletion of funds in the capital improvement fund.

As shown on Table 5-5, total operating revenue is budgeted to be approximately \$1.0 million in FY 2014 and is projected to increase to approximately \$1.4 million in FY 2024. This increase represents a compound annual growth rate of 3.3 percent from FY 2014 to FY 2024. Revenue projections are based on a review of historical growth rates as well as the anticipated impacts of the CIP, inflation, and lease agreements.

5.3.4 CASH FLOW – BASELINE SCENARIO

Combining operating revenues, O&M expenses, and CIP expenditures, **Table 5-6** presents the cash flow for the Airport for budget FY 2014 and projected FY 2015 through FY 2024 for the Baseline Scenario. As shown on Table 5-6, net operating revenues before CIP expenditures are budgeted to be approximately \$35,000 in FY 2014 and are projected to increase to a high of approximately \$96,000 in FY 2020 due to an increase in operating revenues for fuel flowage fees in FY 2019 and land lease rents for Goodyear Tire & Rubber Company in FY 2020. Throughout the remainder of the projection period, net operating revenues before CIP expenditures will gradually decrease to approximately \$86,000 in FY 2024.

Table 5-6: Cash Flow – Baseline Scenario

	BUDGET		PROJECTED								
FISCAL YEAR	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Land Leases	\$616,279	\$665,864	\$683,894	\$702,464	\$721,592	\$741,293	\$771,706	\$792,607	\$814,135	\$836,309	\$859,148
City Facility Leases	372,382	376,288	383,814	391,490	399,320	407,306	415,452	423,761	432,237	440,881	449,699
Fuel Flowage Fees	30,000	62,500	65,625	68,906	72,352	91,163	95,721	100,507	105,533	110,809	116,350
Other Revenue	6,520	6,288	6,477	6,671	6,871	7,077	7,290	7,508	7,733	8,762	9,025
Total Operating Revenues before Interest Income	\$1,025,181	\$1,110,940	\$1,139,809	\$1,169,532	\$1,200,134	\$1,246,840	\$1,290,169	\$1,324,384	\$1,359,638	\$1,396,762	\$1,434,222
Interest Income	\$10,903	\$97	\$97	\$98	\$98	\$99	\$99	\$100	\$100	\$101	\$101
Total Operating Revenues	\$1,036,084	\$1,111,037	\$1,139,907	\$1,169,629	\$1,200,233	\$1,246,938	\$1,290,268	\$1,324,483	\$1,359,738	\$1,396,862	\$1,434,323
Less:											
Personal Services Expenses	\$406,705	\$418,834	\$431,326	\$444,194	\$457,447	\$471,098	\$485,158	\$499,641	\$514,557	\$529,922	\$545,747
Operating Expenses	594,844	612,281	630,311	648,955	668,235	688,173	708,795	730,124	752,185	778,634	802,352
Capital Expenses	0	0	0	0	0	0	0	0	0	0	0
Other Expenses	0	0	0	0	0	0	0	0	0	0	0
Net Operating Revenues before CIP	\$34,535	\$79,922	\$78,269	\$76,481	\$74,551	\$87,667	\$96,315	\$94,719	\$92,995	\$88,306	\$86,224
Less:											
Capital Improvement Program Expenditures	92,785	173,619	40,971	169,621	44,484	84,272	128,318	132,168	110,608	69,236	148,419
Net Operating Revenues after CIP	(\$58,250)	(\$93,697)	\$37,298	(\$93,140)	\$30,067	\$3,395	(\$32,004)	(\$37,449)	(\$17,613)	\$19,070	(\$62,195)

SOURCE: Ricondo & Associates, Inc., July 2014.

PREPARED BY: Ricondo & Associates, Inc., July 2014.

As also shown on Table 5-6, net operating revenues after CIP expenditures will fluctuate each year from approximately \$37,000 in FY 2016 to a deficit of approximately \$94,000 in FY 2015. During the Projection Period, six of the ten years result in net operating revenues that are less than the amount of the Airport's annual portion of CIP expenditures. This deficit is due to the Airport operating on a balanced budget with minimal excess revenues to fund CIP expenditures. As a result, the Airport will have to either reprioritize its CIP projects, decrease O&M expenses, and/or increase operating revenues throughout the Projection Period.

5.4 Scenario 2

Based on discussions with Airport staff, the City Commission, City Manager, and Airport tenants, as well as a site evaluation of the Airport's property, an alternative financial scenario, Scenario 2, was developed to assist the Airport in meeting its financial goals. This scenario incorporates the assumptions presented in the Baseline Scenario, as well as the associated impacts of the Proposed Projects.

5.4.1 PROPOSED PROJECTS – SCENARIO 2

Table 5-7 presents an overview of the Proposed Projects incorporated into Scenario 2:

Table 5-7: Proposed Projects – Scenario 2

DESCRIPTION	PROJECTED START YEAR	LOCATION	ESTIMATED LEASABLE SPACE	CAPITAL COSTS ^{1/}	OPERATING EXPENSES	ADDITIONAL ANNUAL REVENUES ^{1/}
1. Student Housing or Hotel/Motel	2016	Near Well #15 on Copans Road	10 acres	\$50,000 Site Study	N/A	\$820,000
2. 2016 Aeronautical Purpose Facility ^{2/}	2016	On Local Areas of Particular Concern (LAPC) #1	21 acres	\$50,000 Site Study	N/A	\$225,000
3. 2020 Aeronautical Purpose Facility ^{2/}	2020	Between Taxiways Bravo, Delta, and Foxtrot	36 acres	\$4 million Relocate Taxiway F, Remove Taxiway B, Construct Access Road	N/A	\$434,000
4. Community College Classrooms	2023	Convert old ATCT and admin building	6,000 sq ft 2.5 acres	\$4.5 million Construction of new Admin Building (adjacent to new ATCT)	Utility expenses will be reimbursed to the Airport by tenant	\$409,000

NOTES:

1/ Capital costs and additional annual revenues are in constant dollars.

2/ Proposed aeronautical purpose facilities will generate minimal activity and could include avionics and instrument repair, maintenance repair overhaul (MRO), and/or warehouse.

SOURCE: Pompano Beach Airpark, August 2014.

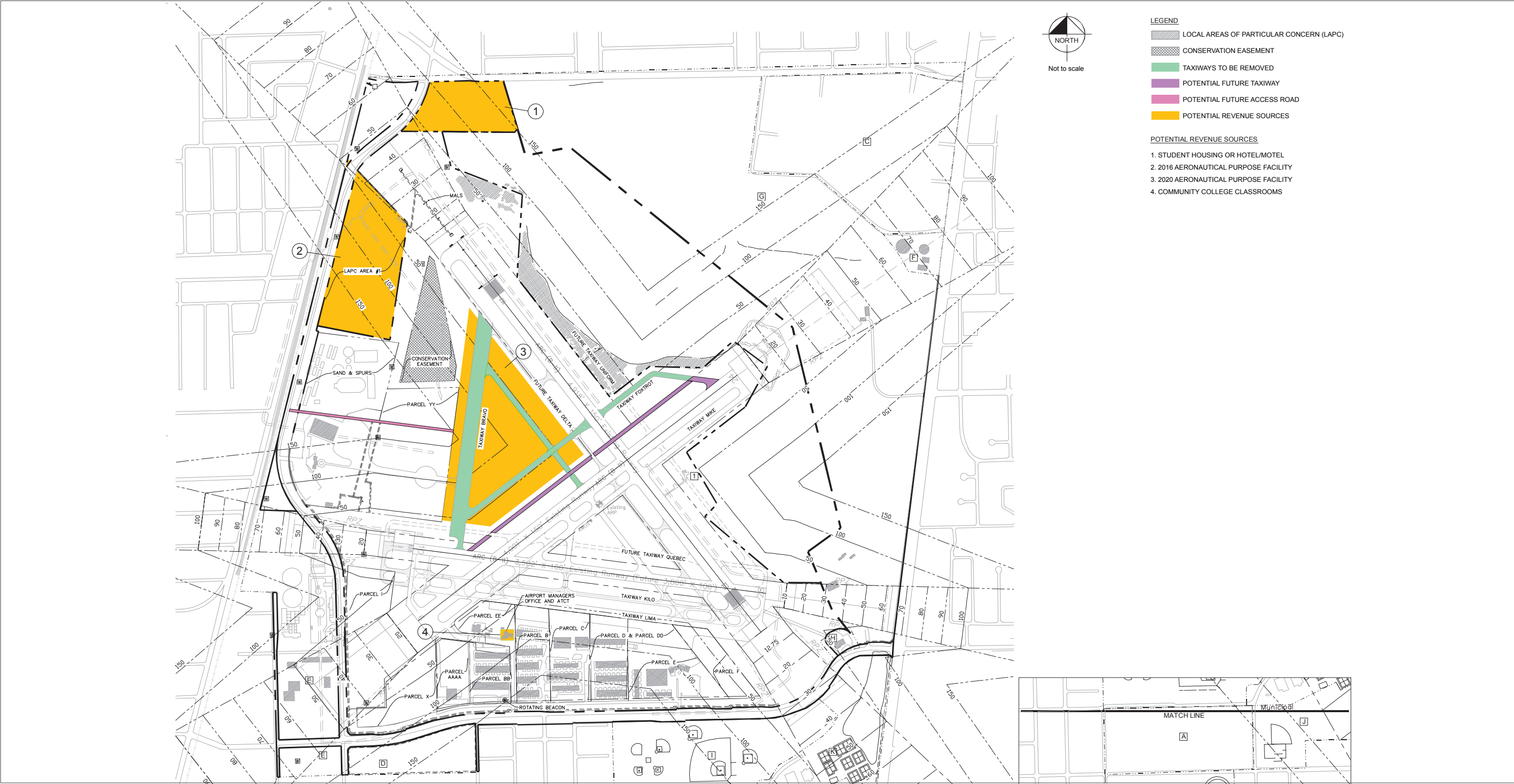
PREPARED BY: Ricondo & Associates, Inc., August 2014.

Exhibit 5-1 presents the locations of the Proposed Projects on the Airport's property map. Assumptions associated with each of the Proposed Projects are presented in more detail below:⁹

1. **Student Housing or Hotel/Motel** – This non-aviation purpose facility would be located outside of the Airport's restricted area with direct access to Copan's Road. Based on approximately 10 acres of available land, the annual lease amount for this project was calculated using \$1.78 per square foot based on FDOT Rates and Charges Report for average commercial non-aeronautical use ground lease rates at general aviation airports. This project is projected to be completed by FY 2016 and will generate approximately \$820,000 in revenues to the Airport. Operating revenues are projected to escalate at 3.0 percent annually. This project would require capital costs of approximately \$50,000 for a site study in FY 2015 prior to construction, which is projected to be paid by FDOT (80 percent) and Airport funds (20 percent). All other capital costs and operating expenses would be paid by the tenant.¹⁰
2. **2016 Aeronautical Purpose Facility** - This aeronautical purpose facility is expected to generate minimal activity to the Airport and could be utilized for avionics and instrument repair, maintenance repair overhaul, and/or warehouse. Located on approximately 21 acres of available land along Dixie Highway and the Florida East Coast Railway tracks, the annual lease amount for this project was calculated using \$0.23 per square foot based on FDOT Rates and Charges Report for average other aeronautical use ground lease rates at general aviation airports. With a completion date of FY 2016, operating revenues for this project are projected to be approximately \$225,000 and are projected to escalate 3.0 percent annually. In addition, this potential aeronautical purpose facility would require capital costs of approximately \$50,000 for a site study in FY 2015 prior to construction, which would be paid by FDOT (80 percent) and Airport funds (20 percent). All other capital costs and operating expenses would be paid by the tenant.¹⁰

⁹ Assumptions associated with each of the Proposed Projects are highlighted on the CIP, O&M expenses, and operating revenues tables for Scenario 2.

¹⁰ This project may require environmental mitigation, which would be determined during the planning phase of the project including determination of the expected cost. The cost of any environmental mitigation is not included in the estimated capital costs.



SOURCE: Kimley-Horn & Associates, Inc., September 2014.
PREPARED BY: Ricondo & Associates, Inc., September 2014.

EXHIBIT 5-1

Location of Proposed Projects

3. **2020 Aeronautical Purpose Facility** – Similar to the 2016 aeronautical purpose facility, this potential new revenue source would generate minimal activity to the Airport and could be utilized for avionics and instrument repair, maintenance repair overhaul, and/or warehouse. Located on approximately 36 acres of land, the annual lease amount for this project was calculated using \$0.23 per square foot based on FDOT Rates and Charges Report for average other aeronautical use ground lease rates at general aviation airports. With a completion date of FY 2020, operating revenues for this project are projected to be approximately \$434,000 and are projected to increase 3.0 percent annually. Prior to the construction of this aeronautical purpose facility in FY 2019, capital costs of approximately \$4.0 million would be required in FY 2018 to relocate Taxiway Foxtrot, remove Taxiway Bravo, and construct an access road to centerfield. It is estimated that these capital costs would be paid by FDOT (5 percent), FAA AIP grants (90 percent), and Airport funds (5 percent). All other capital costs and operating expenses would be paid by the tenant.
4. **Community College Classrooms** – This project would be generated by the conversion of the existing ATCT and Administration Building into classroom space for a community college and is projected to be undertaken after the Airport's new ATCT and Administration Building are constructed in FY 2022. Located on approximately 2.5 acres of land, the annual land lease amount for this project was calculated using \$1.78 per square foot based on FDOT Rates and Charges Report for average commercial non-aeronautical use ground lease rates at general aviation airports and is projected to be approximately \$252,000 in FY 2023. In addition, the annual facility rent for the use of the existing ATCT (approximately 2,000 square feet) and Administration Building (approximately 4,000 square feet) is calculated using a market rate of \$20.00 per square foot and is projected to be approximately \$157,000 in FY 2023. These operating revenues totaling approximately \$409,000 in FY 2023 for the community college classrooms are projected to increase 3.0 percent annually. In addition to approximately \$4.4 million for the construction of the new ATCT that is currently part of the CIP, this project assumes that the Airport would also construct a new Administration Building for approximately \$4.5 million in FY 2022. It is estimated that these capital costs for the new Administration Building would be paid by FDOT (80 percent) and Airport funds (20 percent). Utility expenses for the existing ATCT and Administration Building would be reimbursed by the tenant to the Airport beginning in FY 2023 and are projected to increase 3.0 percent annually. All other capital costs and operating expenses would be paid by the tenant.

Other revenue sources for the Airport were considered in this analysis, which included a restaurant, convenience store/gas station, retail space, office space, fixed base operator, and billboard advertising. However, these future development opportunities were not recommended due to the following reasons:

- Discussions with Airport staff, the City Commission, and the City Manager regarding the best use of Airport property for future development
- Limitations resulting from the site evaluation of the Airport's property
- The City's objective to not increase noise at the Airport
- The City's initiative to remove unnecessary signage

5.4.2 CAPITAL IMPROVEMENT PROGRAM – SCENARIO 2

As shown on Table 5-7, several of the Proposed Projects have capital costs requiring Airport funding in part. The Airport's CIP for Scenario 2 is presented on **Table 5-8** and reflects the timing and estimated capital costs for the Proposed Projects. As shown, the total project costs between FY 2014 and FY 2024 are projected to increase from approximately \$19.0 million in the Airport's current CIP to approximately \$27.5 million in Scenario 2. The total project costs for Scenario 2 are projected to be funded by FDOT (approximately \$7.8 million), FAA AIP grants (approximately \$17.4 million), and Airport funds (approximately \$2.3 million).

5.4.3 OPERATING AND MAINTENANCE EXPENSES – SCENARIO 2

Table 5-9 presents the impact of the Proposed Projects on O&M expenses for budget FY 2014 and projected FY 2015 through FY 2024. As previously shown on Table 5-7, the existing ATCT and Administration Building could be converted to classroom space for use by a community college once the new facilities are constructed at the Airport in FY 2022. As a result, there would be an increase in electric, water, and sewer utilities beginning in FY 2023, for which the tenant would reimburse to the Airport. As shown on Table 5-9, total O&M expenses for Scenario 2 are budgeted to be approximately \$1.0 million in FY 2014 and are projected to increase to approximately \$1.4 million in FY 2024, which represents a compound annual growth rate of 3.3 percent.

5.4.4 OPERATING REVENUES – SCENARIO 2

Operating revenues, which incorporate the additional annual revenues for land leases, utility expense reimbursement, ground rent, and facility rent associated with the Proposed Projects previously shown on Table 5-7, for the Airport for budget FY 2014 and projected FY 2015 through FY 2024 are presented on **Table 5-10**. As shown, total operating revenues for Scenario 2 are budgeted to be approximately \$1.0 million in FY 2014 and are projected to increase to approximately \$3.8 million in FY 2024. This increase represents a compound annual growth rate of 13.7 percent from FY 2014 to FY 2024.

5.4.5 CASH FLOW – SCENARIO 2

Combining the overall impact of the Proposed Projects presented on Table 5-7 on operating revenues, O&M expenses, and CIP expenditures, **Table 5-11** presents the Airport's cash flow for Scenario 2 for budget FY 2014 and projected FY 2015 through FY 2024. As shown on Table 5-11, net operating revenues before CIP expenditures are budgeted to be approximately \$35,000 in FY 2014 and are projected to steadily increase to approximately \$2.4 million in FY 2024.

As also shown on Table 5-11, net operating revenues after CIP expenditures are budgeted to be at a deficit of approximately \$58,000 in FY 2014, which is equal to the amount shown on Table 5-6 of the Baseline Scenario, and are then projected to decrease further in FY 2015 to a deficit of approximately \$114,000. Beginning in FY 2016, net operating revenues after CIP expenditures are projected to increase to approximately \$1.1 million and will remain positive throughout the remainder of the Projection Period. Between FY 2016 and FY 2024, net operating revenues after CIP expenditures are projected to fluctuate from a low of approximately \$820,000 in FY2022 to a high of approximately \$2.2 million in FY 2023 and FY 2024.

Table 5-8 (1 of 2): Capital Improvement Program (FY 2014 – FY 2024) - Scenario 2 (Escalated Dollars)^{1/}

FISCAL YEAR	PROJECTED											TOTAL
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	
Total Project Costs												
General Aviation Security Enhancements	\$139,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$139,000
Financial/Business Plan	65,100	0	0	0	0	0	0	0	0	0	0	65,100
Design/Construct Taxiway D (Relocate) and Construct S and T	259,826	2,408,585	0	0	0	0	0	0	0	0	0	2,668,411
Wildlife Assessment Study	0	0	204,853	0	0	0	0	0	0	0	0	204,853
Develop Landside/Airside for Parcel "YY"	0	627,236	0	0	0	0	0	0	0	0	0	627,236
Administration Building Renovations	0	0	0	848,103	0	0	0	0	0	0	0	848,103
Design Runway 10-28	0	0	0	0	889,673	0	0	0	0	0	0	889,673
Rehabilitate Runway 10-28 and Construct Runway 10-28 Extension	0	0	0	0	0	4,213,608	0	0	0	0	0	4,213,608
New Air Traffic Control Tower Siting Study	0	0	0	0	0	0	641,592	0	0	0	0	641,592
Design New Air Traffic Control Tower	0	0	0	0	0	0	0	660,840	0	0	0	660,840
Construct New Air Traffic Control Tower	0	0	0	0	0	0	0	0	4,424,325	0	0	4,424,325
Design/Construct Taxiway Quebec	0	0	0	0	0	0	0	0	0	346,180	3,209,092	3,555,272
Site Study for Student Housing or Hotel/Motel	0	50,000	0	0	0	0	0	0	0	0	0	50,000
Site Study for 2016 Aeronautical Purpose Facility	0	50,000	0	0	0	0	0	0	0	0	0	50,000
Relocate Taxiway F/Remove Taxiway B/Construct Access Rd	0	0	0	0	3,893,660	0	0	0	0	0	0	3,893,660
Construct New Admin Building Adjacent to New ATCT	0	0	0	0	0	0	0	0	4,537,769	0	0	4,537,769
Total Project Costs	\$463,926	\$3,135,821	\$204,853	\$848,103	\$4,783,333	\$4,213,608	\$641,592	\$660,840	\$8,962,094	\$346,180	\$3,209,092	\$27,469,442
State Project Costs												
General Aviation Security Enhancements	\$111,200	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$111,200
Financial/Business Plan	52,080	0	0	0	0	0	0	0	0	0	0	52,080
Design/Construct Taxiway D (Relocate) and Construct S and T	207,861	192,687	0	0	0	0	0	0	0	0	0	400,547
Wildlife Assessment Study	0	0	163,882	0	0	0	0	0	0	0	0	163,882
Develop Landside/Airside for Parcel "YY"	0	501,789	0	0	0	0	0	0	0	0	0	501,789
Administration Building Renovations	0	0	0	678,482	0	0	0	0	0	0	0	678,482
Design Runway 10-28	0	0	0	0	44,484	0	0	0	0	0	0	44,484
Rehabilitate Runway 10-28 and Construct Runway 10-28 Extension	0	0	0	0	0	337,089	0	0	0	0	0	337,089
New Air Traffic Control Tower Siting Study	0	0	0	0	0	0	513,274	0	0	0	0	513,274
Design New Air Traffic Control Tower	0	0	0	0	0	0	0	528,672	0	0	0	528,672
Construct New Air Traffic Control Tower	0	0	0	0	0	0	0	0	110,608	0	0	110,608
Design/Construct Taxiway Quebec	0	0	0	0	0	0	0	0	0	276,944	148,419	425,364
Site Study for Student Housing or Hotel/Motel	0	40,000	0	0	0	0	0	0	0	0	0	40,000
Site Study for 2016 Aeronautical Purpose Facility	0	40,000	0	0	0	0	0	0	0	0	0	40,000
Relocate Taxiway F/Remove Taxiway B/Construct Access Rd	0	0	0	0	194,683	0	0	0	0	0	0	194,683
Construct New Admin Building Adjacent to New ATCT	0	0	0	0	0	0	0	0	3,630,215	0	0	3,630,215
Total State Project Costs	\$371,141	\$774,475	\$163,882	\$678,482	\$239,167	\$337,089	\$513,274	\$528,672	\$3,740,823	\$276,944	\$148,419	\$7,772,368

Table 5-8 (2 of 2): Capital Improvement Program (FY 2014 – FY 2024) - Scenario 2 (Escalated Dollars)^{1/}

FISCAL YEAR	PROJECTED											TOTAL
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	
FAA Project Costs												
General Aviation Security Enhancements	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Financial/Business Plan	0	0	0	0	0	0	0	0	0	0	0	0
Design/Construct Taxiway D (Relocate) and Construct S and T	0	2,167,726	0	0	0	0	0	0	0	0	0	2,167,726
Wildlife Assessment Study	0	0	0	0	0	0	0	0	0	0	0	0
Develop Landside/Airside for Parcel "YY"	0	0	0	0	0	0	0	0	0	0	0	0
Administration Building Renovations	0	0	0	0	0	0	0	0	0	0	0	0
Design Runway 10-28	0	0	0	0	800,705	0	0	0	0	0	0	800,705
Rehabilitate Runway 10-28 and Construct Runway 10-28 Extension	0	0	0	0	0	3,792,247	0	0	0	0	0	3,792,247
New Air Traffic Control Tower Siting Study	0	0	0	0	0	0	0	0	0	0	0	0
Design New Air Traffic Control Tower	0	0	0	0	0	0	0	0	0	0	0	0
Construct New Air Traffic Control Tower	0	0	0	0	0	0	0	0	4,203,109	0	0	4,203,109
Design/Construct Taxiway Quebec	0	0	0	0	0	0	0	0	0	0	2,912,253	2,912,253
Site Study for Student Housing or Hotel/Motel	0	0	0	0	0	0	0	0	0	0	0	0
Site Study for 2016 Aeronautical Purpose Facility	0	0	0	0	0	0	0	0	0	0	0	0
Relocate Taxiway F/Remove Taxiway B/Construct Access Rd	0	0	0	0	3,504,294	0	0	0	0	0	0	3,504,294
Construct New Admin Building Adjacent to New ATCT	0	0	0	0	0	0	0	0	0	0	0	0
Total FAA Project Costs	\$0	\$2,167,726	\$0	\$0	\$4,305,000	\$3,792,247	\$0	\$0	\$4,203,109	\$0	\$2,912,253	\$17,380,335
Airport Project Costs												
General Aviation Security Enhancements	\$27,800	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$27,800
Financial/Business Plan	13,020	0	0	0	0	0	0	0	0	0	0	13,020
Design/Construct Taxiway D (Relocate) and Construct S and T	51,965	48,172	0	0	0	0	0	0	0	0	0	100,137
Wildlife Assessment Study	0	0	40,971	0	0	0	0	0	0	0	0	40,971
Develop Landside/Airside for Parcel "YY"	0	125,447	0	0	0	0	0	0	0	0	0	125,447
Administration Building Renovations	0	0	0	169,621	0	0	0	0	0	0	0	169,621
Design Runway 10-28	0	0	0	0	44,484	0	0	0	0	0	0	44,484
Rehabilitate Runway 10-28 and Construct Runway 10-28 Extension	0	0	0	0	0	84,272	0	0	0	0	0	84,272
New Air Traffic Control Tower Siting Study	0	0	0	0	0	0	128,318	0	0	0	0	128,318
Design New Air Traffic Control Tower	0	0	0	0	0	0	0	132,168	0	0	0	132,168
Construct New Air Traffic Control Tower	0	0	0	0	0	0	0	0	110,608	0	0	110,608
Design/Construct Taxiway Quebec	0	0	0	0	0	0	0	0	0	69,236	148,419	217,655
Site Study for Student Housing or Hotel/Motel	0	10,000	0	0	0	0	0	0	0	0	0	10,000
Site Study for 2016 Aeronautical Purpose Facility	0	10,000	0	0	0	0	0	0	0	0	0	10,000
Relocate Taxiway F/Remove Taxiway B/Construct Access Rd	0	0	0	0	194,683	0	0	0	0	0	0	194,683
Construct New Admin Building Adjacent to New ATCT	0	0	0	0	0	0	0	0	907,554	0	0	907,554
Total Airport Project Costs	\$92,785	\$193,619	\$40,971	\$169,621	\$239,167	\$84,272	\$128,318	\$132,168	\$1,018,162	\$69,236	\$148,419	\$2,316,738

NOTE:

1/ Assumptions associated with each of the Proposed Projects are highlighted.

SOURCES: Pompano Beach Airpark, Ricondo & Associates, Inc., July 2014.

PREPARED BY: Ricondo & Associates, Inc., July 2014.

Table 5-9: Operating and Maintenance Expenses – Scenario 2^{1/}, 2/

FISCAL YEAR	BUDGET	PROJECTED									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Personal Services											
Salaries	276,806	285,110	293,663	302,473	311,548	320,894	330,521	340,436	350,650	361,169	372,004
Accrued Vacation & Sick Leave	5,200	5,356	5,517	5,682	5,853	6,028	6,209	6,395	6,587	6,785	6,988
Temporary & Part Time	34,434	35,467	36,531	37,627	38,756	39,918	41,116	42,349	43,620	44,929	46,276
Overtime - Regular	1,215	1,215	1,215	1,215	1,215	1,215	1,215	1,215	1,215	1,215	1,215
FICA Taxes	24,301	25,030	25,781	26,554	27,351	28,172	29,017	29,887	30,784	31,707	32,659
General Employees - Retirement	63,549	65,455	67,419	69,442	71,525	73,671	75,881	78,157	80,502	82,917	85,405
Automobile	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200
Total Personal Services	\$406,705	\$418,834	\$431,326	\$444,194	\$457,447	\$471,098	\$485,158	\$499,641	\$514,557	\$529,922	\$545,747
Operating Expenses											
Other Professional	\$3,549	\$3,655	\$3,765	\$3,878	\$3,994	\$4,114	\$4,238	\$4,365	\$4,496	\$4,631	\$4,770
Accounting & Auditing	943	971	1,000	1,030	1,061	1,093	1,126	1,160	1,195	1,230	1,267
Administrative Service Charge	296,724	305,626	314,794	324,238	333,965	343,984	354,304	364,933	375,881	387,158	398,772
Central Services Charges	12,804	13,188	13,584	13,991	14,411	14,843	15,289	15,747	16,220	16,706	17,208
Central Stores Charges	1,987	2,047	2,108	2,171	2,236	2,303	2,373	2,444	2,517	2,593	2,670
Health Insurance Service Charges	69,544	73,021	76,672	80,506	84,531	88,758	93,196	97,855	102,748	107,886	113,280
Risk Management Services Charges	49,027	50,498	52,013	53,573	55,180	56,836	58,541	60,297	62,106	63,969	65,888
Vehicle Service Charges	66,070	68,052	70,094	72,196	74,362	76,593	78,891	81,258	83,695	86,206	88,793
Information Systems	6,430	6,623	6,822	7,026	7,237	7,454	7,678	7,908	8,145	8,390	8,641
Travel Education Member	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500
Postage	150	150	150	150	150	150	150	150	150	150	150
Electric	17,500	18,025	18,566	19,123	19,696	20,287	20,896	21,523	22,168	47,950	49,389
Water & Sewer	10,300	10,609	10,927	11,255	11,593	11,941	12,299	12,668	13,048	28,222	29,069
Land, Building, Improvements	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000
Machinery & Equipment	5,500	5,500	5,500	5,500	5,500	5,500	5,500	5,500	5,500	5,500	5,500
Maintenance Contracts	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000
Special Services	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Facility Maintenance	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Office Supplies	500	500	500	500	500	500	500	500	500	500	500
Chemicals/Horticultural	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Small Tools Minor Equipment	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000
Special Supplies	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500
Clothing	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400
Cleaning	250	250	250	250	250	250	250	250	250	250	250
Publications	166	166	166	166	166	166	166	166	166	166	166
Total Operating Expenses	\$594,844	\$612,281	\$630,311	\$648,955	\$668,235	\$688,173	\$708,795	\$730,124	\$752,185	\$814,907	\$839,713
Total Operating & Maintenance Expenses	\$1,001,549	\$1,031,115	\$1,061,637	\$1,093,148	\$1,125,682	\$1,159,271	\$1,193,953	\$1,229,764	\$1,266,743	\$1,344,829	\$1,385,460

NOTES:

1/ Assumptions associated with each of the Proposed Projects are highlighted.

2/ Certain O&M expenses are projected to remain flat over the projection period because they typically have not increased from year to year. Any unforeseen increases to those O&M expenses during the projection period are assumed to be insignificant and not impact the overall financial results.

SOURCES: Pompano Beach Airpark, Ricondo & Associates, Inc., July 2014.

PREPARED BY: Ricondo & Associates, Inc., July 2014.

Table 5-10: Operating Revenues – Scenario 2^{1/}

FISCAL YEAR	BUDGET	PROJECTED									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Land Leases:											
Ameriflyers of Florida, LLC	\$179,028	\$184,399	\$189,931	\$195,629	\$201,498	\$207,543	\$213,769	\$220,182	\$226,788	\$233,591	\$240,599
Sheltair Pompano Beach, LLC	309,382	318,663	328,223	338,070	348,212	358,658	369,418	380,500	391,915	403,673	415,783
Aviation Center of Pompano, Inc.	22,915	56,646	58,345	60,096	61,898	63,755	65,668	67,638	69,667	71,757	73,910
Aviation Center of Pompano, Inc.	35,699	36,770	37,873	39,010	40,180	41,385	42,627	43,906	45,223	46,580	47,977
The Goodyear Tire & Rubber Company	69,255	69,386	69,521	69,660	69,804	69,951	80,223	80,380	80,542	80,708	80,879
Student Housing or Hotel/Motel	0	0	819,815	844,410	869,742	895,834	922,709	950,390	978,902	1,008,269	1,038,517
2016 Aeronautical Purpose Facility ^{2/}	0	0	225,149	231,903	238,860	246,026	253,407	261,009	268,839	276,905	285,212
2020 Aeronautical Purpose Facility ^{2/}	0	0	0	0	0	0	434,412	447,444	460,868	474,694	488,934
Community College Classrooms	0	0	0	0	0	0	0	0	0	252,067	259,629
Total Land Leases	\$616,279	\$665,864	\$1,728,858	\$1,778,777	\$1,830,194	\$1,883,154	\$2,382,234	\$2,451,451	\$2,522,744	\$2,848,244	\$2,931,441
City Facility Leases:											
Sand and Spurs Equestrian Park	\$223,535	\$224,464	\$228,953	\$233,532	\$238,203	\$242,967	\$247,826	\$252,783	\$257,839	\$262,995	\$268,255
Golf Course	148,847	151,824	154,860	157,958	161,117	164,339	167,626	170,978	174,398	177,886	181,444
Total City Facilities Leases	\$372,382	\$376,288	\$383,814	\$391,490	\$399,320	\$407,306	\$415,452	\$423,761	\$432,237	\$440,881	\$449,699
Fuel Flowage Fees: ^{3/}											
Sheltair	\$30,000	\$50,000	\$52,500	\$55,125	\$57,881	\$72,930	\$76,577	\$80,406	\$84,426	\$88,647	\$93,080
Pompano Aviation	0	12,500	13,125	13,781	14,470	18,233	19,144	20,101	21,107	22,162	23,270
Total Fuel Flowage Fees	\$30,000	\$62,500	\$65,625	\$68,906	\$72,352	\$91,163	\$95,721	\$100,507	\$105,533	\$110,809	\$116,350
Other Revenue:											
Reimbursement of FAA Utility Expense	\$6,520	6,288	\$6,477	\$6,671	\$6,871	\$7,077	\$7,290	\$7,508	\$7,733	\$8,762	\$9,025
Reimbursement of Classroom Utility Expense	0	0	0	0	0	0	0	0	0	\$36,273	\$37,361
Community College Classroom Facility Rent	0	0	0	0	0	0	0	0	0	156,573	161,270
Total Other Revenue	\$6,520	\$6,288	\$6,477	\$6,671	\$6,871	\$7,077	\$7,290	\$7,508	\$7,733	\$201,608	\$207,656
Total Operating Revenue (excluding Interest)	\$1,025,181	\$1,110,940	\$2,184,773	\$2,245,844	\$2,308,737	\$2,388,700	\$2,900,697	\$2,983,227	\$3,068,247	\$3,601,542	\$3,705,145
Interest											
Interest Earnings (General Operating Fund)	\$560	\$0	\$0	\$4,556	\$9,495	\$14,262	\$20,059	\$28,051	\$36,298	\$40,396	\$51,535
Interest Earnings (Capital Improvement Fund)	10,343	97	97	98	98	99	99	100	100	101	101
Total Interest	\$10,903	\$97	\$97	\$4,654	\$9,593	\$14,360	\$20,158	\$28,151	\$36,398	\$40,497	\$51,637
Total Operating Revenues	\$1,036,084	\$1,111,037	\$2,184,871	\$2,250,499	\$2,318,329	\$2,403,060	\$2,920,854	\$3,011,378	\$3,104,645	\$3,642,038	\$3,756,782

NOTES:

1/ Assumptions associated with each of the Proposed Projects are highlighted.

2/ Proposed aeronautical purpose facilities will generate minimal activity and could include avionics and instrument repair, maintenance repair overhaul (MRO), and/ or warehouse.

3/ Fuel flowage fees exclude sales tax.

SOURCES: Pompano Beach Airpark, Ricondo & Associates, Inc., July 2014.

PREPARED BY: Ricondo & Associates, Inc., July 2014.

Table 5-11: Cash Flow – Scenario 2

	BUDGET		PROJECTED								
FISCAL YEAR	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Land Leases	\$616,279	\$665,864	\$1,728,858	\$1,778,777	\$1,830,194	\$1,883,154	\$2,382,234	\$2,451,451	\$2,522,744	\$2,848,244	\$2,931,441
City Facility Leases	372,382	376,288	383,814	391,490	399,320	407,306	415,452	423,761	432,237	440,881	449,699
Fuel Flowage Fees	30,000	62,500	65,625	68,906	72,352	91,163	95,721	100,507	105,533	110,809	116,350
Other Revenue	6,520	6,288	6,477	6,671	6,871	7,077	7,290	7,508	7,733	201,608	207,656
Total Operating Revenues before Interest Income	\$1,025,181	\$1,110,940	\$2,184,773	\$2,245,844	\$2,308,737	\$2,388,700	\$2,900,697	\$2,983,227	\$3,068,247	\$3,601,542	\$3,705,145
Interest Income	\$10,903	\$97	\$97	\$4,654	\$9,593	\$14,360	\$20,158	\$28,151	\$36,398	\$40,497	\$51,637
Total Operating Revenues	\$1,036,084	\$1,111,037	\$2,184,871	\$2,250,499	\$2,318,329	\$2,403,060	\$2,920,854	\$3,011,378	\$3,104,645	\$3,642,038	\$3,756,782
Less:											
Personal Services Expenses	\$406,705	\$418,834	\$431,326	\$444,194	\$457,447	\$471,098	\$485,158	\$499,641	\$514,557	\$529,922	\$545,747
Operating Expenses	594,844	612,281	630,311	648,955	668,235	688,173	708,795	730,124	752,185	814,907	839,713
Capital Expenses	0	0	0	0	0	0	0	0	0	0	0
Other Expenses	0	0	0	0	0	0	0	0	0	0	0
Net Operating Revenues before CIP	\$34,535	\$79,922	\$1,123,233	\$1,157,350	\$1,192,648	\$1,243,789	\$1,726,901	\$1,781,614	\$1,837,902	\$2,297,210	\$2,371,322
Less:											
Capital Improvement Program Expenditures	92,785	193,619	40,971	169,621	239,167	84,272	128,318	132,168	1,018,162	69,236	148,419
Net Operating Revenues after CIP	(\$58,250)	(\$113,697)	\$1,082,262	\$987,730	\$953,481	\$1,159,517	\$1,598,583	\$1,649,446	\$819,740	\$2,227,974	\$2,222,903

SOURCE: Ricondo & Associates, Inc., July 2014.

PREPARED BY: Ricondo & Associates, Inc., July 2014.

5.5 Summary of Financial Results

Based on the review of the Airport's existing financial structure, CIP, O&M expenses, and operating revenues, as well as the results of the alternative financial scenario, a summary of the key financial results is presented below:

- Based on average market rates for land leases at general aviation airports in FDOT Rates and Charges Report, several of the Airport's current tenants are paying rental rates that are less than average market rates for aeronautical and non-aeronautical land leases, resulting in lower operating revenues for the Airport.
- In the Baseline Scenario, O&M expenses are projected to increase at a compound annual growth rate of 3.0 percent from FY 2014 to FY 2024. Operating revenues are projected to increase at a slightly higher rate during this same period, with a compound annual growth rate of 3.3 percent. The Airport is projected to break even or generate a modest surplus in net operating revenues prior to funding CIP expenditures each year.
- In the Baseline Scenario, net operating revenues are not sufficient to fund the Airport's annual portion of CIP expenditures in six of the ten years of the Projection Period.
- The Proposed Projects presented in Scenario 2 are not projected to generate sufficient additional revenues to fund the Airport's annual portion of CIP expenditures for budget FY 2014 and projected FY 2015. During the remainder of the Projection Period, FY 2016 through FY 2024, the Proposed Projects presented in Scenario 2 are projected to generate sufficient net operating revenues, ranging from approximately \$820,000 to approximately \$2.2 million annually, to fund the Airport's portion of the CIP.
- The City has no cash reserves on hand designated specifically for the Airport to use to protect itself against unforeseen economic challenges including unexpected capital expenditures, increases in O&M expenses, and/or decreases in operating revenues.

Recommendations developed by the R&A Team relating to these financial results, as well as the key results identified in the previous sections of this report, are presented in section 6.

6. Results and Recommendations

6.1 Results

As outlined in the previous sections of this report, below is a summary of key findings from the analysis of the Airport's Business Plan:

- The Airport's total economic impact is estimated to be approximately \$54,643,000 in CY 2013. Based on conversations with Airport staff, the City Commission, City Manager, and Airport tenants, the community's perception of the Airport's advantages, including the economic benefit the Airport offers the region, may not be fully realized.
- Increasing knowledge of the Airport's frequent users would be beneficial in order to determine the best use of Airport property for future development, to target businesses that would potentially make good tenants, and to develop marketing initiatives to increase awareness of the Airport's services and benefits to the region.
- Based on average market rates for land leases at general aviation airports in FDOT Rates and Charges Report, several of the Airport's current tenants are paying rental rates that are less than average market rates for aeronautical and non-aeronautical land leases, resulting in lower operating revenues for the Airport.
- In the Baseline Scenario, O&M expenses are projected to increase at a compound annual growth rate of 3.0 percent from FY 2014 to FY 2024. Operating revenues are projected to increase at a slightly higher rate during this same period, with a compound annual growth rate of 3.3 percent. The Airport is projected to break even or generate a modest surplus in net operating revenues prior to funding CIP expenditures each year.
- In the Baseline Scenario, net operating revenues are not sufficient to fund the Airport's annual portion of CIP expenditures in six of the ten years of the Projection Period.
- The Proposed Projects presented in Scenario 2 are not projected to generate sufficient additional revenues to fund the Airport's annual portion of CIP expenditures for budget FY 2014 and projected FY 2015. During the remainder of the Projection Period, FY 2016 through FY 2024, the Proposed Projects presented in Scenario 2 are projected to generate sufficient net operating revenues, ranging from approximately \$820,000 to approximately \$2.2 million annually, to fund the Airport's portion of the CIP.

- The City has no cash reserves on hand designated specifically for the Airport to use to protect itself against unforeseen economic challenges including unexpected capital expenditures, increases in O&M expenses, and/or decreases in operating revenues.

6.2 Recommendations

Based on the results previously presented, the R&A Team has developed the following recommendations by category:

- Address misconceptions and increase awareness of the Airport:
 - Strive to improve the community perception of the Airport through emphasizing the economic benefit of the Airport to the region (Airport's website, social media, newsletter, etc.), targeting businesses that would make good tenants, participating in trade associations to improve external communication, and continuing to encourage community interaction through events, such as open houses with the public, that would enhance awareness of the Airport's advantages.
 - In response to noise complaints at the Airport, proactively communicate noise mitigation efforts to the community and emphasize that future aeronautical-related projects at the Airport would generate minimal activity and could include avionics and instrument repair, MRO, and/or warehouse.
- Maximize funding sources:
 - Continue to review and update the Airport's CIP on an annual basis, reprioritize projects as needed, and maximize traditional funding sources for capital projects at the Airport including FDOT and the FAA as well as proactively pursue non-traditional forms of external funding sources, when available, such as other State of Florida funding, economic development grants, third-party funding, and partnerships with local businesses.
 - Assess the feasibility of loans or issuing bonds to finance larger capital projects as an alternative when grants are not a sufficient or available source of funding.
- Maintain O&M expenses:
 - Continue to maintain O&M expenses with annual growth comparable to the increase of 0.4 percent from FY 2013 to FY 2014, until operating revenue growth increases at rates significant enough to generate positive net operating revenues after CIP expenditures.
- Increase operating revenues:
 - In order to maximize operating revenues generated from leases, continue to monitor lease expiration dates and as leases approach the expiration date, evaluate and negotiate terms based on industry standards for aeronautical and non-aeronautical lease terms. Determine the best use

of Airport property and ensure a fair market value is utilized for lease renewals and new lease negotiations.

- For future leases and renewal of current leases, include provisions to mandate periodic reappraisals of the leased property.¹¹
- Utilize a certified airport property appraiser to assist with the determination of fair market value of Airport property.
- Capture new revenue sources through the utilization of Airport property via land and facility leases for non-aeronautical purposes and for aeronautical purposes that do not increase noise at the Airport. Expenditures may be required by the Airport to evaluate potential development sites and to construct infrastructure to attract desirable prospective tenants.
- Adopt a holistic approach to financial planning:
 - Evaluate revenue generating potential of CIP projects as part of the annual internal planning process. Prior to undertaking any capital project for the purpose of revenue generation, conduct a return on investment analysis to ensure the return on the development exceeds the cost to undertake the project.
 - Continue to monitor annual cash flow to ensure projections don't fall below levels necessary to meet financial goals by maintaining the financial model provided to the Airport as part of this report.
 - Focus on benchmarking results to assess the Airport's relative position with comparable airports and to identify opportunities for improvement. Given that the key financial and operational factors for both the Airport and comparable airports will change over time, the Airport should continue to monitor its performance in relation to other general aviation airports through future benchmarking analyses.

¹¹ This recommendation is similar to the current leases for Sheltair Pompano Beach and Aviation Center of Pompano that allow for the annual rent to be adjusted to an amount equal to the fair market rent of the premises based on an appraisal of comparable general aviation airports in Florida with the adjusted rental amount to not exceed 115 percent of the preceding year's rental amount.