CHAPTER 7 – AIRPORT FINANCIAL PLAN

Summary and Conclusions

Gunnison-Crested Butte Regional Airport (GUC) has two large projects in Phase I of its capital improvement plan (CIP) between 2016 and 2021: the rehabilitation of Runway 6-24 (and associated improvements), and the Terminal Improvement Program. Together these two projects are estimated to cost $22.17 million over a five-year period.

Of that amount, it is estimated that the Airport and Gunnison County will be responsible for approximately $6 million (27%). See Table 7-1 as well as Appendix A. It is estimated that Gunnison County may need to cover approximately $5.5 million through various financial instruments to pay for a portion of the Terminal Improvement Program. The actual amount of financing to be provided by the County will be determined based on the following:

Total terminal program cost, minus:

- FAA funding (entitlement and discretionary grants), minus
- State (CDOT) grants, minus
- GUC airport construction fund, minus
- Private investment (e.g. interior terminal space, etc.), minus
- City of Gunnison participation (e.g. upgrade of access road, etc.), minus
- Balance due = County finance instruments

A Terminal Concept Study needs to be prepared in order to identify the preferred terminal configuration (within the renovation option), develop detailed cost estimates, and a detailed development schedule. The Study will also identify what share of the terminal improvement program will be funded by the FAA, the State, the Airport, and the County.

One of the largest sources of funding for the runway project and terminal improvements will be the FAA, primarily in the form of entitlements and discretionary grants. GUC receives approximately $1.1 million annually in entitlement grants from FAA based on its level of passenger enplanements. The Airport also receives approximately $61,000 annually in passenger facility charges (PFC) – projected to increase to $65,000 annually. For the purposes of this financial analysis, it was projected that FAA entitlement grants will remain relatively constant throughout the forecast period.

The FAA has stated that a portion of the terminal program will be eligible for discretionary grants, which would be in addition to the entitlement grants. However, the availability of FAA discretionary grants will be determined by a number of variables:

- The amount of discretionary funding available to the FAA Northwest Mountain Region when the terminal program is underway. The FAA's Airport Improvement Program (AIP), which provides the funding to FAA, expired on September 30, 2015, and FAA is presently operating on a Continuing Resolution (CR), which will be in effect through March 2016. It is not known when a new multi-year AIP bill will be passed by Congress, what the funding levels will be, or if any of the current eligibility rules will change. For the purposes of this analysis the current AIP funding levels and eligibility requirements were carried forward.
- The timing of GUC's Terminal Program. Both Durango-La Plata (DRO) and Aspen-Pitkin County (ASE) airports are in the planning and environmental process for new terminal buildings. It is anticipated that both DRO and ASE terminals will cost substantially more than GUC's program. If GUC's terminal program coincides with either DRO or ASE terminal projects, the availability of FAA discretionary grants for GUC may be very limited.

The County will determine what type of financial instruments may be most appropriate to use, including Certificate of Participation, bonds, etc. As noted below the County's bonds are rated excellent by Moody's and Standard & Poor's (AA- and Aa3 respectively), which means that the County's borrowing costs could be relatively low.

Phase II of the CIP incorporates development of the general aviation (GA) facilities including hangars, rehabilitation and expansion of the GA parking apron, and development of T-hangars south of Runway 6-24, adjacent to Runway 17-35. The timing for implementation of Phase II will occur when funding is available, and based on the financial plan it is likely to occur between 2020 and 2023.

It is anticipated that a large share of the GA development costs will be paid for by private parties including aircraft and hangar owners, investors and developers, and possibly the fixed base operator. The County may establish a policy that it will not fund any GA development, and rely instead on private investment with a limited amount of airport-generated revenue. In general, FAA considers participation in GA facility development with discretionary grants relatively low priority, although the airport could use its entitlement grant to fund portions of GA development.

TABLE 7-1

Capital Improvement Projects	Period	Total Cost	FAA[2]	CDOT[2]	County	Airport	Private
Phase I : Runway 6-24 & Associated Improvements	2016 - 2018	$9,908,444	$9,588,600	$159,922	$0	$159,922	$0
Phase I: Terminal Concept Study[3] and Environmental	2015-2016	$572,250	$515,025	$28,613	$0	$28,613	$0
Phase I: Terminal Development Program	2018-2021	$11,690,800	$5,298,720	$584,540	$5,514,278	$293,262	$0
Phase II: GA Apron Rehab and Expansion, Corporate T-Hangar Development	2022-2023	$12,404,732	$3,100,000	$380,062	$0[4]	$116,111	$8,859,670
Total Cost Estimate	2016-2023	$34,194,726	$18,502,345	$1,153,136	$5,514.278	$597,908	$8,859,670

Notes:
1. All cost estimates subject to change.
2. FAA & CDOT participation subject to change in the Terminal Program & GA development projects.
3. The Terminal Concept Study (to be completed) will refine the terminal program cost estimates as well as the potential FAA, CDOT participation.
4. The amount of private vs. County funding for GA development in Phase II subject to change based on County policies as well as FAA and County funding availability.

The Runway 6-24 rehabilitation project and terminal development program fall within Phase I. Phase II includes the general aviation apron rehabilitation and expansion, and construction of new hangars. It estimated that Phase II will cost $12.4 million, with approximately $8.8 million from private investment, $3.5 million from FAA and CDOT, and no contributions from the County are anticipated. Note that the cost estimates are preliminary subject to change. It is possible that a larger share of the GA development will be funded by private parties versus the County.

Funding availability from FAA for the Terminal Improvement Program is dependent on a number of factors, including the future Airport Improvement Program (AIP) to be approved by Congress, the actual appropriations made to the Airport Trust Fund each fiscal year, any changes in FAA's funding formulas, as well as other airport development programs within the FAA Region, in particular the upcoming terminal programs at ASE and DRO, and their priority ranking relative to GUC.

The FAA has very specific requirements in terms of what is eligible for funding in terminal programs (discussed in more detail below). In general FAA grants cannot be used to construct privately leased or exclusive use space, or space that is being paid for by other grants. Funding sources for the non-eligible areas of the terminal include Airport generated revenue, the County, private investment (e.g. terminal tenants), the City of Gunnison (e.g. road improvements), as well as non-aviation state and federal grants (e.g. economic development grants, etc.)

GUC is examining the possibility of instituting new fees, specifically on GA aircraft landing and parking, as well as Customer Facility Charges (CFC) on rental car companies. Both fees are commonly collected at airports, and GUC could generate as much as $3,300 annually from CFCs, and an estimated $107,000 annually from GA aircraft parking and landing fees[1]. That would result in a total of approximately $110,300 annually in new revenue.

Due to the existing cost-per-enplaned passenger (CPE) at GUC (Table 7-7), as well as the existing airline fare levels at GUC and the airline revenue guarantee programs in place, any increase in rates and charges on the airlines serving GUC in order to pay for the Terminal Improvement Program would likely increase their CPE, and have potentially negative impacts on airline service at GUC, either in the form of higher fares or reduced service, or both.

Recommended Next Steps

The following steps highlight the milestones that will need to be completed based on the projects in GUC's Capital Improvement Plan (CIP). The timing and exact sequence of each of the milestones is subject to change based on a number of variables discussed in this chapter.

1. Gunnison County BOCC adopt the GUC Master Plan. FAA and Gunnison County sign the Airport Layout Plan (2016).

[1] Source: Aviation Management Consulting Group, *General Aviation Fee Study, Gunnison Crested Butte Regional Airport*, October 13, 2015

2. Gunnison County prepare the GUC Terminal Concept Study, with FAA financial participation (2016-2018):
    a. Evaluate and select the preferred terminal building configuration.
    b. Develop detailed program cost estimates, and identify the amount to be funded by the FAA, CDOT, Airport revenue, and County-issued financial instruments.
    c. Coordinate with the City of Gunnison on the improvements to Rio Grande Boulevard, in particular funding sources, incorporation of the City's non-motorized trail system, and design features that may impact existing property abutters on the Boulevard.
    d. Coordinate with CDOT on potential improvements to the intersection of Route 50 and Rio Grande Boulevard.
3. Gunnison County rehabilitate Runway 6-24 with FAA and CDOT financial participation (2016-2019)
4. GUC continue its on-going revenue enhancement program (2015-2023)
5. Gunnison County incorporate its share of the terminal development program in the County's budget (2016 – 2020)
6. The Airport and County maintain close coordination with the FAA in terms of funding availability and timing for the terminal program, particularly discretionary grants (2015-2020)
7. Gunnison County prepare the necessary environmental analysis and coordination for the Terminal Program with FAA financial participation (2017-2018)
8. Gunnison County prepare the detailed design of the terminal program, including the terminal building, parking lot, and access road with FAA & CDOT financial participation (2017-2019)
9. Gunnison County construct the Terminal Program with FAA & CDOT financial participation (2017-2020)

Note: Time frames are subject to change.

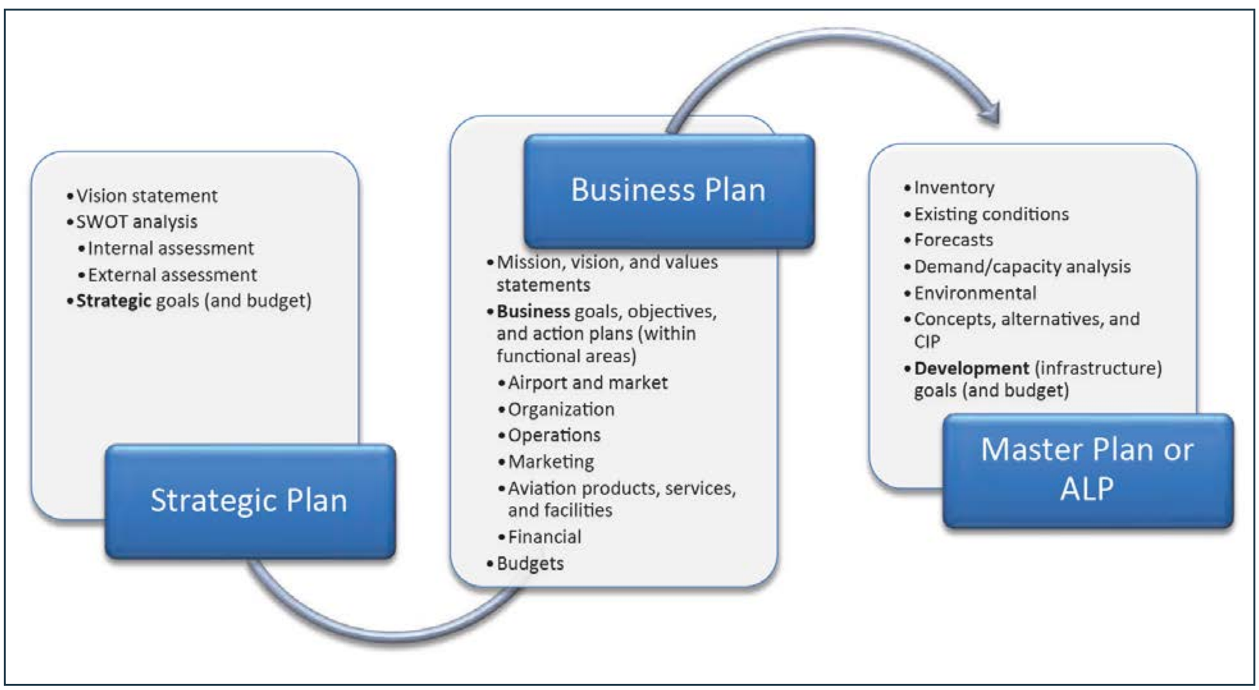
7.1 Introduction

Financial management is a critical component of overall airport management. It encompasses a broad spectrum of factors, including:

- Capital investments in physical facilities, time frames for investment, cost estimates, and funding sources
- Airport operating and maintenance (O&M) expenses
- Cash flow and pro formas
- Airport operating revenues, rates and charges
- Tenant leases
- Debt servicing
- Investment strategies

Airport financial management is a key component of strategic, business, and master planning, as well as day-to-day airport operations and maintenance (O&M). Gunnison County regularly updates their Strategic Plan (last revised May 5, 2015), and their business plan is incorporated within the Strategic Plan, the County budget, and the County's capital improvement plan. The steps shown in Figure 7-1 highlight that financial planning is an integral part of the overall planning and management process, even when they are incorporated within an airport master plan and are not stand-alone planning studies.

FIGURE 7-1



Source: ACRP Guidebook for Developing GA Airport Business Plans, Report 77

The majority of airports in the FAA's National Plan of Integrated Airport Systems (NPIAS), including GUC, are owned and operated by local governments, and therefore use Generally Accepted Accounting Principles (GAAP) established by the Governmental Accounting Standards Board (GASB). Airports are included in local government budgets, and many airports, including GUC, are designated by the airport sponsor (Gunnison County) as enterprise funds (aka proprietary fund business-type activity). Gunnison County operates in full compliance with the Colorado Taxpayer Bill of Rights (TABOR, Colorado Constitution, Article X, Revenue, Section 20).

An enterprise fund establishes a separate accounting and financial reporting mechanism for government services for which fees are charged in exchange for goods or services. GUC is one of seven enterprise funds within Gunnison County's budget, and each uses the accrual basis for budgeting.

As an enterprise (proprietary) fund, the Airport is still legally and functionally owned and operated by Gunnison County. The County also has a separate "Airport Construction" fund that is used "…to account for federal and state grants, passenger facility charges, and local revenue sources to be used for the development and expansion of GUC. Basis of budgeting = modified accrual."

Under enterprise accounting, the revenues generated by airport services are assigned to separate funds with their own financial statements, rather than commingled with the revenues and expenses of other government activities.

One objective for establishing an enterprise fund is to set the goal for the airport to be financially self-sufficient. As noted by Gunnison County: "Each fund should maintain a fund balance at a level that will provide for a positive cash balance throughout the fiscal year, which will reduce the likelihood of having to enter into short-term debt to pay for current operating expenditures. Adequate fund balances will be maintained so major unplanned occurrences will not jeopardize the financial position of the County." (Source: Gunnison County 2014 Budget)

Airports established as enterprise funds are consistent with FAA Grant Assurance number 25:

> "All revenues generated by the airport and any local taxes on aviation fuel….will be expended by it for the capital or operating costs of the airport; the local airport system; or other local facilities which are owned or operated by the owner or operator of the airport and which are directly and substantially related to the actual air transportation of passengers or property; or for noise mitigation purposes on or off the airport."

7.2 GUC Budget

In the FY 2015 budget, the GUC operations fund is anticipated to generate approximately $1.153 million in operating revenues, and incur operating expenses of approximately $1.065 million (Table 7-2), which leaves a surplus of approximately $89,000. The County budget projects that the Airport Construction fund will generate $2.57 million in revenue (primarily FAA and CDOT grants), and expend $2.63 million. The balance is covered by intergovernmental transfers (Table 7-2, Table 7-3, and Table 7-4). Between FY 2010 and 2015, airport operations revenues decreased by 31%, and operations expenditures decreased by 46%.

The County's FY 2015 budget identified the primary airport revenue sources as:

- Intergovernmental (67%)
- Other financing sources
- Miscellaneous (19%)
- Charges for services (14%)

The largest expenditures were for

- Purchased services (29%)
- Capital outlay (48%)
- Personnel (17.5%)

FAA requires that each airport certified under 14 CFR Part 139, which includes GUC, file annual financial statements with FAA. The reporting forms are standardized[2], and utilize a different format than the County's budget. The latest FAA Form 127 filed for GUC is for FY 2014 (Table 7-5 and Table 7-6). The FAA report shows that the Airport generated $1.246 million in operating revenue and had $3.479 million in operating expenses, with an operating deficit of $2.233 million. The FAA reporting form also accounts for non-operating revenue and expenses, asset values, capital expenditures, debt service, and cash flow.

The FAA's Sponsor Assurances legally encumber all recipients of FAA grants, including Gunnison County, to a number of specific requirements. The grant assurances contain 39 specific provisions, a number of which deal with airport and financial management. A selection of the key grant assurances dealing with airport financial management are summarized below. In general, the assurances stipulate that airport sponsors (i.e. Gunnison County) must:

FAA Sponsor Grant Assurances **(excerpts)**

2. Maintain the legal authority (rights and powers) to act as the airport sponsor.

3. Have sufficient funds available for that portion of project costs which are not to be paid by the United States.

6. Ensure that the project is consistent with local plans, and

7. Give consideration to local interests.

22. Ensure that the airport will be available as an airport for public use on reasonable terms and without unjust discrimination to all types, kinds, and classes of aeronautical activities. The County must also ensure that any person, firm, or corporation providing aeronautical services on the airport will "charge reasonable, and not unjustly discriminatory, prices for each unit or service..."

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[2] Source: FAA Certification Activity Tracking System (CATS), Form 126 and Form 127

23. Not engage or permit any exclusive right of the use of the airport by any person providing, or intending to provide, aeronautical services to the public.
24. Maintain a fee and rental structure for the facilities and services at the airport that will make the airport as financially self-sufficient as possible under the circumstances existing at that particular airport.
25. Ensure that all revenues generated by the airport, and any local taxes on aviation fuel, will be expended by the sponsor (Gunnison County) for the capital and or operating cost of the airport.
26. Will make the airport available to the United States for sue by government aircraft in common with other aircraft at all times.

Note that the airport sponsor (Gunnison County) must also ensure that the airport tenants, particularly those that offer commercial aeronautical services on the airport, are also bound by a number of the grant assurances, including make their services available without discrimination or restriction; must charge "reasonable and non-discriminatory prices" for their services; not engage in exclusive rights; not restrict based aircraft owners from servicing their own aircraft with their own staff; and make their services and facilities available to U.S. government aircraft.

TABLE 7-2 - GUNNISON COUNTY CONSOLIDATED BUDGET SUMMARY - 2015

Gunnison County COLORADO

2015 Consolidated Budget Summary

Fund	2015 Beginning Balance	Estimated Revenues	Interfund Transfers	2015 Available Resources	Net Budgeted Expenditures	Interfund Transfers	2015 Total Appropriations	2015 Ending Balance
General Fund:	8,307,446	12,252,416	1,375,186	21,935,048	13,489,554	4,972,785	18,462,339	3,472,709
Special Revenue Funds:								
Road and Bridge	1,503,150	4,702,969	148,545	6,354,664	5,498,520	413,267	5,911,787	442,877
Human Services	531,487	4,199,176	0	4,730,663	4,053,494	152,000	4,205,494	525,169
Public Health Agency	23,316	327,074	237,818	588,208	457,043	113,662	570,705	17,503
Conservation Trust	79,063	50,350	0	129,413	540	108,500	109,040	20,373
Sales Tax	1,211,642	1,598,200	0	2,809,842	213,597	1,159,136	1,372,733	1,437,109
Land Preservation	152,875	345,819	0	498,694	329,534	0	329,534	169,160
Mosquito Control District	10,264	74,649	14,906	99,819	88,322	1,113	89,435	10,384
Sage Grouse Trust	60,379	64,798	0	125,177	17,800	83,570	101,370	23,807
Risk Management	540,069	65,000	0	605,069	85,000	0	85,000	520,069
Housing Authority	55,919	74,488	10,000	140,407	47,778	19,717	67,495	72,912
Marketing District	397,983	1,142,400	0	1,540,383	1,207,441	18,312	1,225,753	314,630
Transportation Authority	1,235,663	1,404,959	0	2,640,622	1,029,817	204,054	1,233,871	1,406,751
Fiduciary Funds:								
Public Trustee Agency	43,559	61,000	61,514	166,073	122,514	0	122,514	43,559
Debt Service Funds:								
Debt Service	430,854	300,467	1,407,814	2,139,135	2,008,281	0	2,008,281	130,854
Capital Projects Funds:								
Airport Construction	56,237	2,570,865	0	2,627,102	2,623,890	0	2,623,890	3,212
Capital Expenditures	3,054,452	663,635	4,492,342	8,210,429	6,517,671	98,000	6,615,671	1,594,758
Enterprise Funds:								
Airport Operations	644,018	1,153,623	0	1,797,641	1,064,744	65,862	1,130,606	667,035
Sewer District	865,133	523,973	0	1,389,106	438,026	79,339	517,365	871,741
Water District	547,237	318,025	85,180	950,442	335,694	37,644	373,338	577,104
Solid Waste	2,425,884	887,502	0	3,313,386	1,992,201	102,178	2,094,379	1,219,007
Gunnison Valley Health	11,233,585	36,129,968	0	47,363,553	35,753,997	0	35,753,997	11,609,556
Gunnison Senior Housing	162,149	238,025	0	400,174	224,819	10,000	234,819	165,355
Assisted Living	3,051	36,488	0	39,539	36,488	0	36,488	3,051
Internal Service Funds:								
ISF-I	2,099,023	1,945,326	0	4,044,349	2,379,943	115,836	2,495,779	1,548,570
ISF-II	615,623	761,655	11,000	1,388,278	952,868	87,888	1,040,756	347,522
ISF-III	888,431	2,670,648	0	3,559,079	2,664,282	1,442	2,665,724	893,355
Total County Budget	**37,178,491**	**74,563,498**	**7,844,305**	**119,586,294**	**83,633,857**	**7,844,305**	**91,478,162**	**28,108,132**

GUC

Source: Gunnison County 2015 Budget

TABLE 7-3 - AIRPORT DEPARTMENT RESOURCE

Gunnison County COLORADO

Airport Department

Summary of Department Resources

	2013 Actual	2014 Budget	2014 Projected	2015 Budget
Department Specific Revenues				
Taxes	0	0	0	0
Licenses and Permits	0	0	0	0
Intergovernmental	210,710	2,514,355	1,332,636	2,504,240
Charges for Services	521,981	524,200	527,849	519,000
Contributions and Other Grants	0	0	0	0
Fines & Forfeitures	2,956	3,500	2,700	2,700
Investment Income	3,008	2,125	3,300	2,925
Interfund Revenues	0	0	0	0
Transfers In	26,316	1,186,316	1,186,316	0
Other Financing Sources and Misc.	1,061,120	689,988	974,792	695,623
Total Revenues	**1,826,092**	**4,920,484**	**4,027,593**	**3,724,488**
Expenditures				
Personnel	603,104	688,769	629,915	658,366
Supplies	59,514	74,750	76,049	89,670
Purchased Services	366,948	1,087,358	473,304	1,100,874
Community Prgms/Contributions	0	13,000	12,500	7,500
Financing Costs	118,099	178,284	474,068	28,118
Transfers Out	71,424	2,207,110	2,330,343	65,862
Capital Outlay	264,141	838,000	114,378	1,804,106
Miscellaneous (Extraordinary/Special)	0	1,000	350	0
Total Expenditures	**1,483,230**	**5,088,271**	**4,110,907**	**3,754,496**
Excess Revenues / (Net Cost to the County)	**342,862**	**(167,787)**	**(83,314)**	**(30,008)**
General Appropriation Required	**0**	**167,787**	**83,314**	**30,008**
Budget Variance	**428,134**	**0**	**84,473**	**0**

Department Resources Restated by Fund

	2013 Actual	2014 Budget	2014 Projected	2015 Budget
Revenues				
Airport Operations Fund	1,161,200	1,125,688	1,152,212	1,153,623
Airport Construction Fund	664,892	3,794,796	2,875,381	2,570,865
Total Revenues	**1,826,092**	**4,920,484**	**4,027,593**	**3,724,488**
Expenditures				
Airport Operations Fund	1,216,745	1,231,358	1,194,704	1,130,606
Airport Construction Fund	266,485	3,856,913	2,916,203	2,623,890
Total Expenditures	**1,483,230**	**5,088,271**	**4,110,907**	**3,754,496**

Source: Gunnison County 2015 Budget

TABLE 7-4 - SUMMARY OF AIRPORT OPERATIONS FUND RESOURCES

Gunnison County COLORADO

Airport Operations Fund
Summary of Fund Resources

	2013 Actual	2014 Budget	2014 Projected	2015 Budget
Revenues				
Taxes	0	0	0	0
Licenses and Permits	0	0	0	0
Intergovernmental	37,404	46,000	41,821	41,500
Charges for Services	411,008	414,200	419,849	411,000
Contributions and Other Grants	0	0	0	0
Fines & Forfeitures	2,956	3,500	2,700	2,700
Investment Income	2,912	2,000	3,050	2,800
Interfund Revenues	0	0	0	0
Transfers In	0	0	0	0
Other Financing Sources/Misc.	706,920	659,988	684,792	695,623
Total Revenues	**1,161,200**	**1,125,688**	**1,152,212**	**1,153,623**
Expenditures				
Personnel	603,104	688,769	654,522	658,366
Supplies	59,514	74,750	76,049	89,670
Purchased Services	278,822	283,358	285,311	304,727
Community Prgms/Contributions	0	13,000	12,500	7,500
Financing Costs	4,097	4,481	4,481	4,481
Transfers Out	71,424	166,000	166,000	65,862
Capital Outlay	199,784	0	20,098	0
Miscellaneous (Extraordinary/Special)	0	1,000	350	0
Total Expenditures	**1,216,745**	**1,231,358**	**1,219,311**	**1,130,606**
Excess Revenues (Expenditures)	**(55,545)**	**(105,670)**	**(67,099)**	**23,017**

Source: Gunnison County 2015 Budget

TABLE 7-5 - FAA FORM 127 GUC FINANCIAL STATEMENT, FY 2014

Operating and Financial Summary
Airport: GUNNISON COUNTY
Airport 3 Digit ID Code: GUC
For Fiscal Year Ending: 12/31/2014
As of 10/20/2015 03:13:56 PM
Date Filed or Revised: 8-10-2015

1.0 Passenger Airline Aeronautical Revenue	**2014**
1.1 Passenger airline landing fees	$265,656
1.2 Terminal arrival fees, rents, and utilities	$209,472
1.3 Terminal area apron charges/tiedowns	$0
1.4 Federal Inspection Fees	$0
1.5 Other passenger aeronautical fees	$67,580
1.6 Total	**$542,708**
2.0 Non-Passenger Aeronautical Revenue	
2.1 Landing fees from cargo	$18,020
2.2 Landing fees from GA and military	$0
2.3 FBO revenue; contract or sponsor-operated	$29,532
2.4 Cargo and hangar rentals	$55,489
2.5 Aviation fuel tax retained for airport use	$38,926
2.6 Fuel sales net profit/loss or fuel flowage fees	$33,622
2.7 Security reimbursement from Federal Government	$35,091
2.8 Other non-passenger aeronautical revenue	$0
2.9 Total	**$210,680**
3.0 Total Aeronautical Revenue	**$753,388**
4.0 Non-Aeronautical Revenue	
4.1 Land and non-terminal facility leases and revenues	$34,855
4.2 Terminal-food and beverage	$16,199
4.3 Terminal-retail stores and duty free	$210
4.4 Terminal-services and other	$13,573
4.5 Rental cars-excludes customer facility charges	$45,494
4.6 Parking and ground transportation	$342,854
4.7 Hotel	$0
4.8 Other	$39,730
4.9 Total	**$492,915**
5.0 Total Operating Revenue	**$1,246,303**
6.0 Operating Expenses	
6.1 Personnel compensation and benefits	$643,898
6.2 Communications and utilities	$78,142
6.3 Supplies and materials	$66,575
6.4 Contractual services	$888,050
6.5 Insurance claims and settlements	$40,248
6.6 Other	$0
6.7 Subtotal	**$1,716,913**
6.8 Depreciation	$1,762,700
6.9 Total Operating Expenses	**$3,479,613**
7.0 Operating Income (Loss)	**$-2,233,310**

8.0 Non-Operating Revenue (Expenses) and Capital	**2014**
8.1 Interest Income - restricted and non-restricted.	$3,310
8.2 Interest expense (use minus sign)	$-12,851
8.3 Grant receipts	$215,763
8.4 Passenger Facility Charges	$117,265
8.5 Capital Contributions (for withdraw use minus sign)	$0
8.6 Special items (loss)	$0
8.7 Other	$292,964
8.8 Total Non Operating Revenue (Expenses)	**$616,451**
9.0 Net Assets	
9.1 Change in net assets	$-1,616,859
9.2 Net assets (deficit) at beginning of year	$33,753,903
9.3 Net assets (deficit) at end of year	$32,116,850
10.0 Capital Expenditures and Construction in Progress	
10.1 Airfield	$0
10.2 Terminal	$21,175
10.3 Parking	$0
10.4 Roadways, rail, and transit	$24,080
10.5 Other	$226,765
10.6 Total	**$272,020**
11.0 Indebtedness at End of Year	
11.1 Long Term Bonds (GA, GARB, PFC, etc.)	$0
11.2 Loans and interim financing	$103,435
11.3 Special facility bonds	$0
11.4 Total Debt at End of Year	**$103,435**
12.0 Externally Restricted Assets	
12.1 Externally Restricted Debt Reserves	$0
12.2 Other Externally Restricted Assets	$0
12.3 Total	**$0**
13.0 Unrestricted Cash and Investments	$958,503
14.0 Reporting Year Proceeds	
14.1 Bond proceeds	$0
14.2 Proceeds from sale of property	$0
15.0 Debt Service	
15.1 Debt service, excluding coverage	$419,579
15.2 Debt service, net of PFCs and Offsets	$414,977
16.0 Operating Statistics (* optional for airports having fewer than 25,000 enplanements in the preceding calendar year).	
*Section 16.1 Enplanements	28,967
*Section 16.2 Landed weights in pounds	56,263,636 lbs
*Section 16.3 Signatory landing fee rate per 1,000 lbs	$5.35
*Section 16.4 Annual aircraft operations	6,982
Section 16.5 Passenger Airline CPE (line 1.6/16.1)	$18.74
*Section 16.6 Full time equivalent employees at end of year	8
Section 16.7 Security and law enforcement costs	$69,497
Section 16.8 ARFF costs	$111,396
Section 16.9 Repairs and maintenance	$72,128
Section 16.10 Marketing/Advertising/Promotions	$4,840

Source: FAA Certification Activity Tracking System (CATS)

TABLE 7-6 - GUC FINANCIAL RECORD – FY 2014

Revenues		Expenses	
Passenger Airline Aeronautical Revenue	$542,708	Operating Expenses	$1,716,913
Non-Passenger Aeronautical Revenue	$210,680	Depreciation	$1,762,700
Total Operating Revenue	$1,246,303	Total Operating Expenses	$3,479,613
Non-Operating Revenue	$616,451	Capital Expenses and Construction	$272,020
Total Revenue	$1,862,754		

Source: FAA Certification Activity Tracking System (CATS), Form 127, Federal FY 2014
* includes contractual services - $888,050

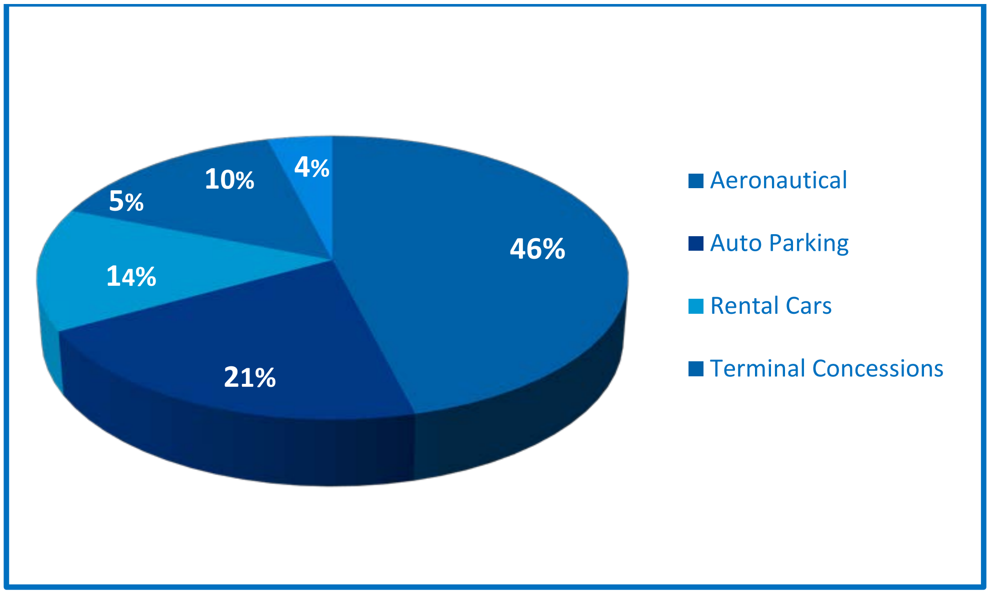
7.3 Airport Rates and Charges

The primary method for airports to generate operating revenue is through the collection of various rates and charges. Rates and charges are levied on airport tenants and users. In general, the largest revenue sources for non-hub airports are aeronautical related (i.e. aircraft landing and parking fees), as well as auto parking, rental cars, and land rental/leases (Figures 7-2A). GUC generates a higher percent of annual revenues from aeronautical services and ground transport (7-2B) than non-hub airports as a group.

Two aspects of successful financial management are identifying/analyzing the full range of potential revenue sources, and understanding that each revenue source offers both benefits and potential drawbacks. Surveys conducted by the American Association of Airport Executives (AAAE), as well as by a number of individual states, of airport rates and charges show that:

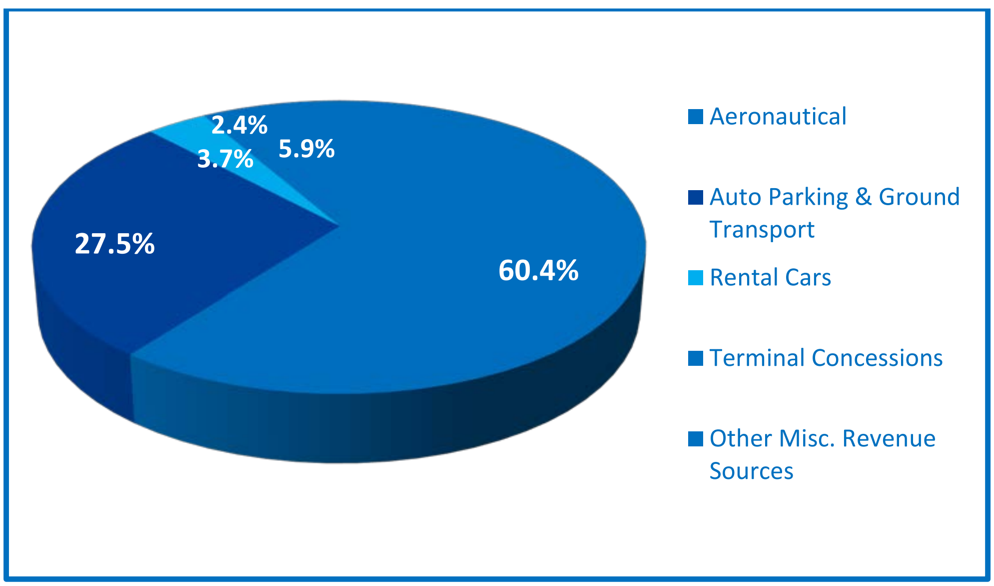
- Airports impose a wide variety of fees, and many airports choose not to collect certain fees (such as landing and parking fees, etc.) either because the cost of collection is too high or complex, and/or the fee would put the airport in at competitive disadvantage relative to neighboring airports.
- Actual rates and charges vary significantly between airports (i.e. in excess of 100% difference). Each airport sets rates and charges to cover their particular cost structure, taking into account their competitive posture. FAA typically does not review airport rates and charges unless specifically requested to do so, frequently in response to complaints filed by airport users. The FAA's primary criteria for evaluating rates and charges are: a) that they are non-discriminatory, and b) that they are "fair and reasonable." In determining "fair and reasonable" FAA looked at industry standard charges, as well as the individual airport's cost structure.

FIGURE 7-2 - AIRPORT OPERATING REVENUES BY SOURCE:
ALL SMALL AND NON-HUB AIRPORTS



Source: ACRP Synthesis Report 99, Airport Revenue Diversification

FIGURE 7-3 - GUC OPERATING REVENUES BY SOURCE



Source: FAA CATS Form 127, FY 2014

Because Gunnison County has accepted FAA grants, it is legally encumbered to comply with the FAA grant assurances. Regarding airport revenues, FAA Sponsor Grant Assurance No. 24 states:

> "**Fee and Rental Structure.** It (i.e. the airport sponsor) will maintain a fee and rental structure for the facilities and services at the airport which will make the airport as self-sustaining as possible under the circumstances existing at the particular airport, taking into account such factors as the volume of traffic and economy of collection."

Any airport can adjust its rates and charges periodically to increase revenue, but changes in rates and charges are affected by several factors (Table 7-8 and Table 7-9):

- Existing tenant leases and agreements. The provisions of the existing tenant leases and agreements serve as legal obligations, and terms and conditions can be renegotiated at periods specified within the lease, or when the lease/agreement expires and new lease is negotiated. In general, FAA does not allow tenant leases with terms of 50 years or greater since that constitutes de facto transfer of property, as well as the transfer of the airport sponsor's rights and powers.
- Competition from area airports. Increases in rates and charges have an impact on aviation activity at the Airport. General aviation aircraft owners and operators are relatively price sensitive, and will shift their operations to other airports with lower hangar and tiedown fees, and fuel prices.
- Potential responses to higher fees from existing airport tenants, particularly airlines, include cut backs/reductions in service, and/or leave - discontinue service altogether. A key financial measure for airlines is their cost per enplaned passenger (CPE), and any increase in landing, parking, or terminal building rentals can increase an airline's CPE (Table 7-7). Awareness of an airline's potential response to increased fees, for example tied to specific capital improvements, frequently requires an airport to examine/find alternate sources of revenues. Given the airline revenue guarantee program in place at GUC, which is sponsored by the RTA and CBMR, as well as the airport's current CPE ($18.74), GUC has very little opportunity to raise airline rates & charges to fund the terminal program, particularly since any increase would adversely impact the CPE.

TABLE 7-7 – COST PER ENPLANED PASSENGER

Airport	Cost Per Enplaned Passenger (CPE)
GUC	$18.74
ASE	$14.00
MTJ	$9.14
COS	$7.48
DRO	$2.60
GJT	$9.59
HDN	$23.59
DEN	$13.92
U.S. Average	$7.76

Source: FAA, CATS Form 127, 2014

Note: the cost per enplaned passenger (CPE) varies due to each airport's lease agreements with their carriers, their accounting and cost-recovery system (e.g. compensatory, residual, or hybrid), and each airport's budget. For example, after the terminal programs at DRO and ASE are completed, it is possible that the CPE at those airports will increase. In addition, airports situated in mountains and the northern U.S. generally incur higher operating costs compared to airports in the southern U.S. due to snow removal, energy costs, and the impact of cold weather on physical facilities, which impacts their average CPE.

- As noted above, the FAA Sponsor Grant Assurances state that airport sponsors (Gunnison County) will make the Airport as financially self-sustaining as possible; the Airport its tenants must charge "reasonable and not unjustly discriminatory prices"; each FBO is subject to uniform rates and fees utilizing similar facilities; and the airport cannot enter into exclusive agreements for aeronautical services; and that all revenue generated on the airport must be used for airport capital and operating expenses.
- A comprehensive survey of rates and charges was conducted in 2008 of airports in the Western Slope region of Colorado, including Gunnison, and adjoining states (Figure 7-4 and Table 7-12). GUC's rates and charges were in the middle of the range of sampled airports, which indicate that Gunnison may have some flexibility in terms of raising some rates and charges, such as landing and building rent, and still be competitive with most airports in the region.

TABLE 7-8 - AIRPORT REVENUE SOURCES

Revenue Source / Fee Type	Pros	Cons	Sample Range of High-Low Rates & Charges
Unimproved land rent	Requires little if any investment by the airport. Offers potentially stable long term revenue source.	Generates lower life-cycle revenue than improved land or building rental.	$0.06 - $11 per s.f. per yr.
Improved land rent	Can generate higher revenue per square foot compared to unimproved land rent. Offers potentially stable revenue source.	Requires capital investment, including utility hookups, etc. Market demand may fluctuate and airport unable to lease all available space.	$0.10 - $11 per s.f. per yr.
Airline Fees	Typically one of the largest revenue sources for commercial service airports. Generates ancillary business for auto parking, rental cars, concessions, etc.	Since Airline Deregulation passed in 1978, airlines free to adjust, reduce, or discontinue service at will with little or no notice to airports. Airlines very price sensitive, particularly relative to CPE.	Ticket counter: $1.82 - $62.44 per s.f. per yr. Baggage Claim: $6 - $62 per s.f. per yr. Gate holding area: $1.82 - $45.35 per s.f. per yr. Landing fees: $0.35 - $4.28 per 1000 lbs LW Office space: $1.82 - $45.35 per s.f. per yr.
Building rental	Can generate higher rental rate per square foot than improved land.	Requires significant capital investment. Market demand may fluctuate, and airport unable to lease all available space (e.g. current restaurant space in terminal).	Airport owned: $0.12 - $4.75 per s.f. per yr.
Fuel flowage fee	Increases as aviation traffic grows. Potentially strong revenue source from transient military traffic. Little cost to airport to collect – FBO responsible for collecting & monitoring.	If traffic drops, revenue from fuel flowage will decline as well.	Jet A $0.02 - $0.20/gallon 100LL $0.02 - $0.20/gallon
Aircraft parking fee	Increases as aviation traffic grows. Potentially strong revenue source from transient corporate and military traffic. Little cost to airport to collect – FBO responsible.	If traffic drops, revenue from aircraft parking fees will decline as well.	Tiedowns: Airport FBO Overnight: $3 - $20 $0.50 - $95 Monthly: $10 - $52 $35 - $400

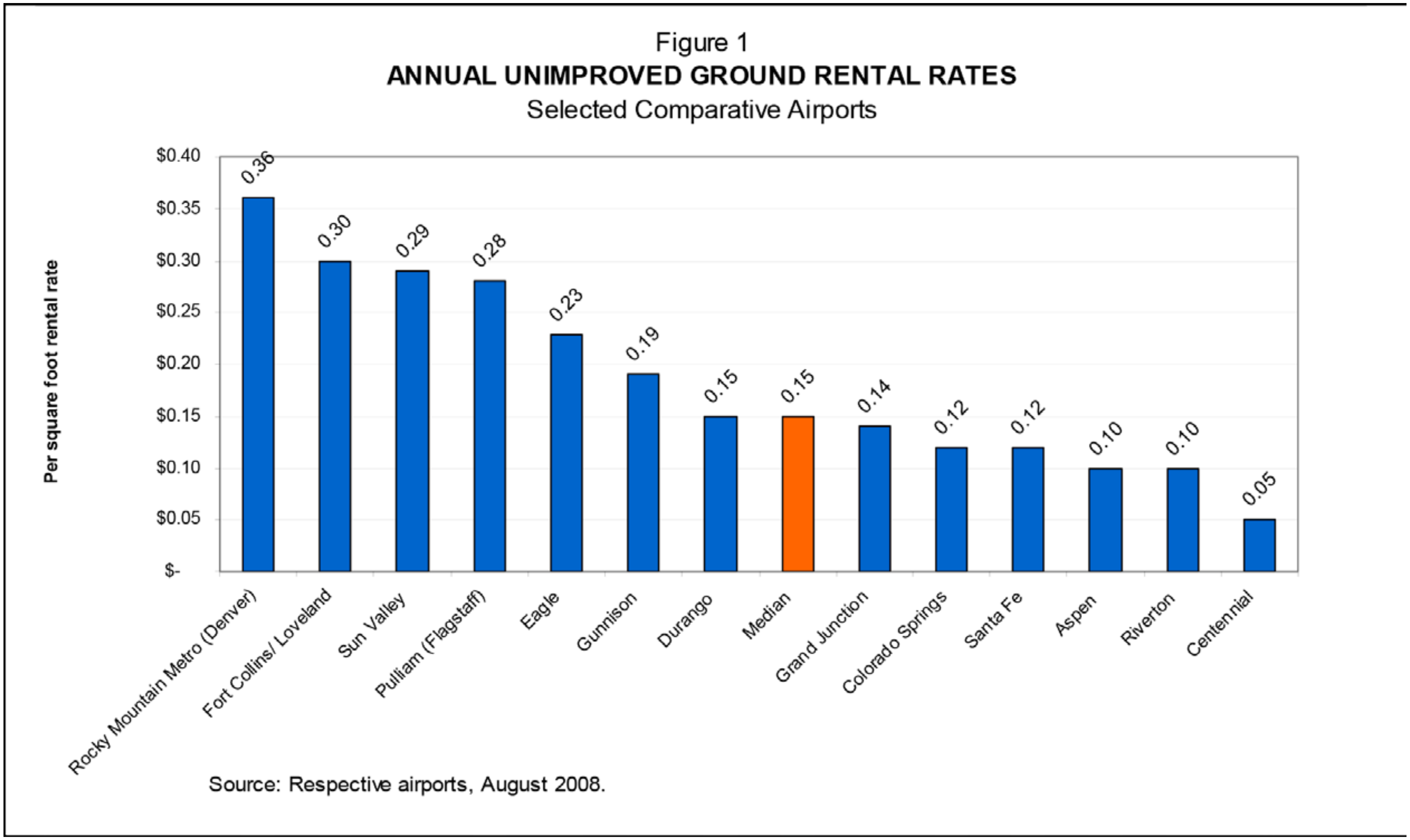
Sources: Jviation, Wyoming DOT Comprehensive Airport Rates & Charges Survey, 2011. AAAE Airport Rates & Charges Survey

TABLE 7-9 - AIRPORT REVENUE SOURCES

Revenue Source / Fee Type	Pros	Cons	Sample Range of High-Low Rates & Charges
Customer Facility Charge (CFC) Rental car companies	Potentially strong revenue source, particularly for markets like GUC with high percent of destination (vs. originating) traffic	Fluctuates closely with airline service. New technology like Uber impacting RAC business.	$2.50 - $4.50 per day
Vehicle/auto parking fees	Increases as aviation traffic grows. Typically one of the largest revenue sources for commercial service airports.	Requires investment in automated parking fee collection, as well as maintenance. Vehicle parking revenue fluctuates with passenger traffic.	$2 - $38 /day (rates higher with valet parking. Some airport voluntary pay system).
Hangars	Generally long-term revenue source. Strong demand from transient corp. aircraft for overnight storage. Rates vary depending on utilities, size, condition, location, etc.	Declining based aircraft & transient corp. traffic can leave hangars underutilized. Difficult to re-purpose hangars for other uses.	Corp./Box: $35 - $2,000 / month T-Hangar: $55 - $750 / month
Aircraft landing fee	Increases as aviation traffic grows.	Fluctuates with traffic levels. Challenging to collect GA landing fees without a control tower or other monitoring system– often collected by FBO and passed along to airport.	G.A. $0.06 - $4 per 1000 lbs LW (note: many airports do not charge GA landing fee. Some that do exempt fee based on fuel purchased)
Passenger facility charge (PFC)	Tied to passenger enplanements – as they increase PFC revenue increases. Collected by airlines and passed on to airports. Relatively 'low visibility' fee to passengers.	Requires specific FAA approval as well as airport tenant coordination. Has specific time limit. Can only be used for FAA-approved capital projects. PFC revenue fluctuates with passenger traffic.	PFC: $4.50 per enplaned pass. (standard at most airports)
Commercial non-aeronautical development/land uses	Could potentially generate large revenue for the airport.	Only permitted if airport property designated by FAA as surplus for aviation activity. Must be compatible with all aviation and airport-related activities.	$0.05 - $18.50 per s.f. per yr.

Sources: Jviation, Wyoming DOT Comprehensive Airport Rates & Charges Survey, 2011. AAAE Airport Rates & Charges Survey

FIGURE 7-4 - AIRPORT RATES AND CHARGES SURVEY



Sources: Jacobs Consultancy and Aviation Management Consulting

TABLE 7-10 – RATES AND CHARGES SUMMARY (2008)

Rates and Charges Summary
Survey Conducted August 2008

Airport	Unimproved Lease Rate per s.f. per yr.	Improved Lease Rate per s.f. per yr. Building	Improved Lease Rate per s.f. per yr. Land	Fuel Flowage Fee Avgas	Fuel Flowage Fee Jet A	Percent of Gross Fee Revenue Total	Percent of Gross Fee Revenue Ramp	Percent of Gross Fee Revenue Hangar
Aspen (ASE)	$0.10			$0.12	$0.09			
Casper (CPR)	$0.05		$0.58	$0.58	$0.09			30%
Centennial (APA)				$0.10	$0.13		25%	
Cheyenne (CYS)			$0.12	$0.04	$0.08			
Colorado Springs (COS)	$0.12				$0.06			
Craig Moffat (CAG)								
Durango (DRO)	$0.15	$1.50	$0.26		$0.07		30%	
Eagle (EGE)	$0.23				$0.08	3%	50%	
Flagstaff Pulliam (FLG)	$0.28				$0.12			
Fort Collins (FLN)	$0.30			6.00%	$0.05	1%		
Grand Junction (GJT)	$0.14				$0.20			
Gunnison (GUC)	**$0.19**				**$0.10**			
Jackson Hole (JAC)								
Riverton (RIW)	$0.10				$0.05			
Rocky Mountain Metro (BJC)	$0.36			$0.07	$0.09			
Sant Fe (SAF)	$0.12				$0.05	2%		
Friedman (SUN)	$0.29	$3.45		$0.08	$0.10	1%		
Taos (SKX)					$0.05		20%	10%
Yampa Valley (HDN)				$0.03	$0.05		25%	
Median	**$0.15**	**NA**	**0.26**	**0.08**	**0.08**	**2%**	**35%**	**20%**

Sources: Jacobs Consultancy and Aviation Management Consulting

- It (i.e. the airport sponsor) will make the Airport available as an airport for public use on reasonable terms and without unjust discrimination to all types, kinds and classes of aeronautical activities.
- In any agreement, contract, lease, or other arrangement…the airport sponsor will insert and enforce provisions requiring the contractor to furnish said services on a reasonable, and not unjustly discriminatory, basis to 1) all users thereof, and 2) charge reasonable, and not unjustly discriminatory, prices for each unit or service, provided that the contractor may be allowed to make reasonable and nondiscriminatory discounts, rebates, or other similar types of price reductions to volume purchasers.
- Each fixed-based operator at the Airport shall be subject to the same rates, fees, rentals, and other charges as are uniformly applicable to all other fixed-based operators making the same or similar uses of such airport and utilizing the same or similar facilities.
- It (i.e. the airport sponsor) will permit no exclusive right for the use of the Airport by any person providing, or intending to provide, aeronautical services to the public.

GUC recently sponsored a General Aviation Fee Study that was prepared in 2015 by Aviation Management Consulting Group. The GA Fee Study report noted that the Airport presently collects:

- Fuel flowage fees[3]
- Landing fees (only on commercial aircraft – not GA airplanes)

[3] The current FBO, Gunnison Valley Aviation, does not sell fuel to transient military aircraft.

However the airport currently does not charge parking or landing fees to GA aircraft. The report recommended imposing a parking fee for general aviation aircraft, which it notes is a common fee imposed by the majority of airports in western Colorado. Many airports waive parking fees when a minimum amount of aviation fuel is purchased. The report estimated that an additional $107,125 in revenue could be generated annually from general aviation parking fees at GUC.

GUC also charges:

- Terminal building rental fees from airlines, rental car agencies, and van and bus companies. The restaurant in the terminal building ceased operation in 2014 and has not been replaced.
- Commercial carrier landing and parking fees.
- Auto parking fees (voluntary payment system. The Airport Master Plan recommends installing an automated payment kiosk to increase auto parking revenue).
- Land rent for the GA hangars. The GA hangars are privately owned, therefore the owners do not pay building rent to the airport.

GUC also collects FAA-approved passenger facility charges (PFC), at $4.50 per enplaned passenger, which generates approximately $61,000 annually (estimated to increase to $65,000 annually based on passenger projections). The total anticipated collection will be approximately $3,125,000 by 2023. Airport trade associations such as AAAE and ACI are currently lobbying Congress to allow airports to raise PFCs to $7.50 per enplaned passenger as part of the reauthorization of the Airport Improvement Program, but it is uncertain whether Congress will allow that increase.) PFCs are similar to FAA grants in that they are dedicated to FAA eligible capital improvements – not operating and maintenance (O&M) expenses. In addition, PFC's require specific FAA approval and coordination with airport tenants prior to collecting and expending, and the airport can only collect what it projects it will require for specific capital projects. In other words, PFCs are not open-ended revenue sources.

7.3.1 Airport Revenue Enhancement Options

Recommendations:

1. Impose and collect landing and parking fees on general aviation aircraft.
2. Impose a Customer Facility Charge (CFC) on rental car companies situated in the airport terminal building.
3. Install an automatic toll collection system in the parking lot.
4. Charge access fees to vans and buses providing transportation to/from the airport.
5. Insert clauses in future airport tenant leases stipulating automatic increases in rates and charges tied to the Consumer Price Index (CPI), as well as specific milestones (no more than five years apart) to renegotiate rates and charges.
6. Insert reversion clauses in future airport tenant leases stipulating that improvements made by private parties on the airport revert to the ownership of the County by the end of the lease term.

7. Actively market concessions, particularly a full-service restaurant, to locate in the airport terminal building.
8. Actively sell marketing/promotional space (signs, electronic displays, etc.) inside and outside of the terminal building.

Revenue enhancement options fall within three broad categories (Table 7-11). The Airport Cooperative Research Program (ACRP) sponsored a study: "Innovative Finance and Alternative Sources of Revenue for Airports," ACRP Synthesis 1, prepared by Jacobs Consultancy.

As noted above, GUC's cost per enplaned passenger (CPE) is relatively high in relation to other airports in Colorado, and combined with other local factors (e.g. relatively high fares from GUC as documented in the air service analysis p, the airline revenue guarantee program sponsored by RTA and CBMR), the airport cannot raise rates and charges on the airlines that would increase the CPE.

At present the airport does not impose a Customer Facility Charge (CFC) on rental car companies. Industry-wide, CFC fees range from $1.00 to $6.20 per day per rental car company, or from $3 to $10 per transaction. There are three rental car companies in the terminal building (Hertz, Avis, and Budget). If each company were charged $3/day CFC, that would generate $3,285 annually. If a CFC is imposed, any facility leased by a rental car company and/or improved using CFC revenue is not eligible for FAA participation in the terminal renovation program.

As noted previously, the Airport has examined imposing landing and parking fees on corporate aircraft. Currently, the airport receives no revenue from GA aircraft transient parking or landing fees. The potential income from GA aircraft parking could be $107,000. In addition, the current FBO does not sell fuel to transient military aircraft at GUC, which results in lost fuel flowage fees to the airport. It is anticipated that the new FBO will sell fuel to transient military aircraft, which will generate additional revenue in the form of fuel flowage fees.

TABLE 7-11 - AIRPORT REVENUE ENHANCEMENT OPTIONS & EVALUATION

Option	Pros	Cons
Increase Existing Airport Rates & Charges (e.g. landing fees, terminal rental fees, vehicle parking fees, etc.)	Fees are already in place – no additional administrative procedures required.	Could adversely impact demand. Some GA and airline operators may reduce or discontinue service to GUC, thereby reducing overall revenue generated.
Impose new fees (e.g. GA aircraft landing and parking fees, customer facility charges (CFC) on rental car companies, advertising in terminal building, percent of gross revenue fee on terminal concessions, etc.)	Will increase airport operating revenue.	Require additional administrative procedures and resources to collect & monitor new fees. Could adversely impact demand. Some GA and airline operators may reduce or discontinue service to GUC, thereby reducing overall revenue generated.
Encourage non-aeronautical development on the airport	Represents a large revenue generator for some airports.	GUC has very limited space available for non-aeronautical development. Requires specific FAA-approval, and designation of property surplus for aviation purposes on the Airport Layout Plan (ALP)
Non-aviation state and federal grants	Both the federal and state governments issue grants for community economic development, transportation improvements, as well as environmental preservation and energy efficiency.	Accepting non-aviation grants could impact/ limit the amount of grants that FAA can award. Non-aviation federal and state grants come with unique grant administration requirements & assurances.

Source: Jviation and ACRP Synthesis Report 1, Innovative Finance and Alternative Sources for Revenue for Airports

7.4 Airport Capital Improvement Plan (CIP)

The FAA prepares a national Airports Capital Improvement Plan (ACIP), and states that:

> "The ACIP serves as the primary planning tool for systematically identifying, prioritizing, and assigning funds to critical airport development and associated capital needs for the National Airspace System (NAS). The ACIP also serves as the basis for the distribution of grant funds under the Airport Improvement Program (AIP). By identifying and investing in airport development and capital needs, the Federal Aviation Administration (FAA) can ensure to the American public that the NAS is a safe, secure, and an efficient environment for air travel nationwide."

The FAA also requires each airport to update and/or prepare a Capital Improvement Plan (CIP) annually. FAA also requires the preparation and/or update of the CIP as one of the products of an Airport Master Plan. The FAA uses each airport's CIP as the basis for developing their national CIP. State agencies also use individual airport CIPs to develop statewide CIPs.

The airport CIP serves a number of specific purposes by identifying:

- Specific capital improvement projects to be undertaken at the airport
- The cost estimate for each project
- The time frame for implementation of each project, as well as the sequence for development
- The relative priority of the projects

GUC's CIP was updated to incorporate the short-term projects as well as the capital improvements recommended in the Master Plan, specifically the terminal area development program (Table 7-12). The CIP includes an inflation factor of 3% per year.

The two largest projects included in GUC's CIP are the rehabilitation of Runway 6-24, associated taxiway improvement and grading of the safety area, to be completed in 2018, and the terminal development program, to be completed in 2021. Both are multi-year projects.

The Master Plan identified and evaluated three options for improving the terminal building, vehicle parking and airport access road. The Plan recommended adoption of the Terminal Renovation Option, which was accepted by the Gunnison Board of County Commissioners, the FAA, and the Master Plan Planning Advisory Committee (PAC).

The Master Plan further recommended that the County prepare a Terminal Concept Study, separate from the Master Plan, to address a number of specific issues. The Study's cost is eligible for reimbursement by the FAA, and is included in the Airport's CIP. The specific topics that will be addressed in the Terminal Concept Study include:

- Within the existing building envelope, evaluate alternatives for the interior layout and configuration of the terminal building. For example, the future renovated building may retain the current two-level layout, or be altered to a single-level structure. Other issues to be addressed include providing curb-side drop-off and pickup zones, existing and future space requirements of the building tenants, as well as enhancing natural light within the building.
- Prepare a detailed assessment of the existing building utilities and systems to determine if any can/should be retained, and/or which should be replaced with new systems.
- Analyze options for improving the energy efficiency of the building, utilities, and systems. In close cooperation with the County, analyze the cost/benefits of achieving LEED certification.
- Develop and analyze alternatives for expanding and improving the vehicle parking lot, as well as commercial bus and van loading zones.
- Develop and analyze alternatives for improving Rio Grande Boulevard to become the primary airport access road, including signage, landscaping, the interchange with Route 6, as well as incorporating a portion of the City of Gunnison's non-motorized trail system.
- Prepare detailed cost estimates of the terminal renovation options. Analyze potential funding sources, including FAA discretionary grants and Gunnison County financial instruments.
- Prepare a detailed implementation schedule for the overall terminal development program, including identification of key milestones, as well as roles and responsibilities of key parties.
- Develop a public outreach program to solicit and incorporate input for all interested parties in identifying and evaluating the various options to be considered.
- Present specific recommendations to the Board of County Commissioners for their review and approval.

TABLE 7-12 – GUC'S CAPITAL IMPROVEMENT PLAN

GUNNISON-CRESTED BUTTE REGIONAL AIRPORT
GUNNISON, CO
CAPITAL IMPROVEMENT PLAN - AIRPORT MASTER PLAN PROJECTS

YEAR	DESCRIPTION	TOTAL ESTIMATED PROJECT COST 2015 DOLLARS	TOTAL ESTIMATED PROJECT COST w/ 3% PER YEAR ESCALATION	FUNDING SOURCES								TOTAL PROPOSED FUNDING
				FEDERAL (90%)			STATE	LOCAL OR OTHER				
				ENTITLEMENT	OTHER	DISCRETIONARY	CDAG	PFC	County Revenue Bonds	Airport Construction	Private Investment	
2016 & 2017	**Runway Rehabilitation, Taxiway Rehabilitation, Safety Area Grading Improvements, and Windcone Relocation**	$ 9,000,000	$ 9,000,000									
	2015 Entitlement Roll-Over			$ 90,000			$ 5,000			$ 5,000	$ -	$ 100,000
	2016 Entitlement			$ 1,100,000			$ 61,111			$ 61,111	$ -	$ 1,222,222
	2017 Entitlement			$ 1,100,000			$ 61,111			$ 61,111	$ -	$ 1,222,222
	2016 Discretionary Grant					$ 6,710,000	$ -			$ -	$ -	$ 6,710,000
	SUBTOTAL 2016-2017	**$ 9,000,000**	**$ 9,000,000**	**$ 2,290,000**	**$ -**	**$ 6,710,000**	**$ 127,222**	**$ -**		**$ 127,222**	**$ -**	**$ 9,254,444**
2018	**Runway Rehabilitation, Taxiway Rehabilitation, Safety Area Grading Improvements, and Windcone Relocation (Additional Funds Available)**	$ 600,000	$ 654,000	$ 588,600			$ 32,700	$ 32,700				$ 654,000
2018	**Reimburse Terminal Program Concept Study (Completed 2016)**	$ 175,000	$ 190,750	$ 171,675			$ 9,538	$ 9,538				$ 190,750
2018	**Reimburse Terminal Program - Environmental (Completed 2017)**	$ 350,000	$ 381,500	$ 343,350			$ 19,075	$ 19,075				$ 381,500
	SUBTOTAL 2019	**$ 1,125,000**	**$ 1,226,250**	**$ 1,103,625**	**$ -**	**$ -**	**$ 61,313**	**$ 61,313**		**$ -**	**$ -**	**$ 1,226,250**
2019	**Terminal Program - Architectural & Engineering Design**	$ 1,090,000	$ 1,220,800	$ 1,098,720			$ 61,040	$ 61,040				$ 1,220,800
	SUBTOTAL 2019	**$ 1,090,000**	**$ 1,220,800**	**$ 1,098,720**	**$ -**	**$ -**	**$ 61,040**	**$ 61,040**		**$ -**	**$ -**	**$ 1,220,800**
2020	**Terminal Program Construction - Phase A**	$ 5,000,000	$ 5,750,000	$ 1,100,000		$ 2,000,000	$ 287,500	$ 65,000	$ 2,348,611			$ 5,801,111
	SUBTOTAL 2020	**$ 5,000,000**	**$ 5,750,000**	**$ 1,100,000**	**$ -**	**$ 2,000,000**	**$ 287,500**	**$ 65,000**	**$ 2,348,611**	**$ -**		**$ 5,801,111**
2021	**Terminal Program Construction - Phase B**	$ 4,000,000	$ 4,720,000	$ 1,100,000		$ -	$ 236,000	$ 65,000	$ 3,267,889			$ 4,668,889
	SUBTOTAL 2021	**$ 4,000,000**	**$ 4,720,000**	**$ 1,100,000**	**$ -**	**$ -**	**$ 236,000**	**$ 65,000**	**$ 3,267,889**	**$ -**		**$ 4,668,889**
2022	**GA Apron Rehab & Expansion**	$ 6,282,010	$ 7,601,232	$ 1,100,000		$ 2,000,000	$ 380,062	$ 65,000	$ -		$4,056,170	$ 7,601,232
2022	**Corp/Executive Hangars**	$ 3,150,000	$ 3,811,500								$ 3,811,500	$ 3,811,500
	SUBTOTAL 2022	**$ 9,432,010**	**$ 11,412,732**	**$ 1,100,000**	**$ -**	**$ 2,000,000**	**$ 380,062**	**$ 65,000**	**$ -**	**$ -**	**$ 7,867,670**	**$ 11,412,732**
2023	**GA T-Hangars & Associated Improvements**	$ 800,000	$ 992,000								$992,000	$ 992,000
	SUBTOTAL 2023	**$ 800,000**	**$ 992,000**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**		**$ -**	**$ 992,000**	**$ 992,000**

Assumptions:
1. Non-Terminal Building FAA Share = 90%. Subject to change based on new Federal AIP Program.
2. Terminal Building FAA Share = 40% +/- (actual amount to be determined). FAA participation to be determined by new Federal AIP Program + other funding needs.
3. CDOT Share = 5% Subject to change
4. PFC Revenue = $110,000 per year +/-
5. FAA Entitlements = $1,100,000 per year +/-
6. Airport Construction Share = County / airport funding. Amount of County bonding to be determined.
7. Terminal program design & construction will start after Rwy 6-24 rehab completed
8. Corp. & T-Hangar development and associated improvements funded by private investment

Notes:
1. FAA & CDOT share subject to change
2. FAA share of temrinal building projects subject to change
3. Terminal Cost Estimate = Rough Order of Magnitude. Terminal Concept Study to develop detailed cost estimates
4. Escalation rate, mateiral & construction prices subject to change
5. Gunnison County may participate in GA facility devleopment if funding available.

7.4.1 Potential Funding Sources for Airport Capital Improvements

There are three funding sources identified for GUC's CIP:

7.4.1.1 Federal

- FAA entitlement grants. These are awarded to commercial service airports on annual basis in relation to the number of passenger enplanements each year. Gunnison receives approximately $1.1 million annually in FAA entitlement grants, which can be applied to capital improvements.
- FAA discretionary grants. Discretionary grants are awarded by FAA to each airport and project based on their priority ranking system, and funding availability within each fiscal year. The amount of money that each FAA region has available to distribute as discretionary grants is dependent on appropriations by Congress. As a result, the amount available for discretionary grants varies from fiscal year to fiscal year.
- The FAA's Denver Airports District Office (ADO) provided this overview of potential FAA financial participation in the proposed terminal program at GUC:

  "Gunnison County's current estimate for renovating the terminal building and adjacent parking lots and access road is $11.6 million over a 3 year construction period. Of this total estimated cost, Gunnison County could reasonably expect $10 million of AIP funds[4]. Local funds will be used to match Federal AIP grants (10% of the total project cost) and pay for work that is in-eligible for Federal funds.

  "The airport sponsor may use its yearly AIP entitlement funds toward the terminal, which are approx. $1.1 million annually. The remaining amount could be funded by AIP discretionary funds assuming these funds are available and certain criteria are met. Federal law only allows the use of AIP funds for common use and public areas of a terminal building. At commercial service airports like the Gunnison-Crested Butte Regional Airport, the AIP authorizing statute prohibits the use of AIP funds for fee parking lots/structures, most road improvements, landscaping and public art. Such expenses will be funded in entirety with local funds."

[4] Based on 90% FAA participation and assuming all of the elements of the terminal program are eligible for FAA funding. In general, however, as much as 40% - 50% of terminal development programs may not be eligible for FAA funding due to costs associated with ineligible items such as, for example, space leased to private companies (airlines, rental cars, restaurants, concessions, etc.), the use of revenue from Customer Facility Charges (CFC), other federal grant sources, and that portion of the access road that serves other users besides the airport. In addition, FAA funding availability will be affected by the timing of the Gunnison terminal in relation to Aspen and Durango's terminal projects. For the purposes of this financial analysis it was assumed that FAA discretionary funding for the GUC terminal program would total approximately $6 million. Any additional FAA discretionary funding that may be available above $6 million would reduce the County's share of costs.

> "Project eligibility does not commit the FAA to participate in the cost of proposed airport development. The FAA funds AIP projects, including those proposed at the Gunnison-Crested Butte Regional Airport, based on the availability of AIP funds, which varies from year-to-year and the priority of AIP projects nationwide. The FAA will continue to work with Gunnison County to determine funding options and timing for airport development, including the renovation of the terminal building."

The FAA's Airport Improvement Program (AIP), which generates the revenue for the Airport Trust Fund through user fees, and also implements the grant program to airports and states, expired as of September 30, 2015. Congress passed a Continuing Resolution (CR) to extend the AIP at current funding levels for six months, through March 31, 2016. However, it is unclear when the new AIP will be re-authorized by Congress, or what the new AIP will stipulate in terms of FAA participation of capital improvement projects, or how much money will be authorized or appropriated by Congress in the future. As a result, the requirements of the current AIP were used as a guide to future FAA participation in the GUC terminal program, recognizing that it is subject to change. As mentioned previously, another important factor is that there are large terminal development programs underway at DRO and ASE, which will impact FAA funding availability and timing for GUC's terminal program.

7.4.1.2 State - Colorado Department of Transportation

As noted by CDOT: "In 1989 the Division of Aeronautics and the Colorado Aeronautical Board was created to support, develop and maintain the Colorado Aviation System (including airports) through taxes collected on aviation fuel sold within the state. There are no general funds used to meet the needs within the Colorado Aviation System, the needs are funded solely through the taxes collected by those actually using the aviation system."

CDOT manages an airport discretionary funding program known as Colorado Discretionary Aviation Grant (CDAG). As noted by CDOT:

> "Any entity operating an FAA-designated public-use airport may apply to the division for a state aviation system grant to be used solely for aviation purposes. Funding for the CDOA (Colorado Division of Aeronautics) and the CAB (Colorado Aeronautics Board) come exclusively from tax on aviation fuel. There are two types of fuel that are taxed, AVGAS for piston driven aircraft and jet fuel for turbine type aircraft. There are two types of tax on these fuels: excise and sales. AVGAS has .06 cents per gallon excise tax. Non-airline jet fuel has .04 cents per gallon excise tax. All jet fuel is subject to a 2.9% sales tax on the retail price.
>
> In addition to the discretionary grants that airports can receive as a benefit of these taxes, they also receive airport formula reimbursements. Airport formula reimbursements are the portion of the tax that is collected at an airport, which is then returned directly to the airport on which the fuel was sold. The airport is reimbursed the full .04 cents per gallon jet fuel excise tax; they are also reimbursed

> .04 cents per gallon of the AVGAS excise tax. The sales tax on jet fuel is reimbursed at a rate of 65% of the total sales tax that was collected.
>
> The remaining amount of tax that is collected and not reimbursed to the airports is used for the operation of the CDOA and CAB and the discretionary grant program. This funding comes from the remaining .02 cents per gallon AVGAS excise and the remaining 35% of the sales tax on jet fuel. The administration of the CDOA and CAB per statute cannot exceed 5% of the total tax collections. The remaining money that is not used for administration is used for the discretionary grant program. All tax collection and reimbursement rates are set by statute in C.R.S 43-10. All fuel tax disbursements, either airport formula refund or discretionary grants, must be used for aviation purposes."

In addition to the normal grant program, the Division and the CAB have formalized a process for grants that do not fit within the framework of the normal grant program. These grants are referred to as "tier two" grants. The application and review process for these grants are the same as the traditional grants. The CAB still has complete discretion on whether or not to fund a specific request. The staff will use the same criteria to review and recommend projects to the CAB for approval.

The purpose of the second tier funding is to accomplish larger scale, high priority projects that provide benefit to the state aviation system, but would not be able to be funded within the framework of the traditional CDAG program (tier one). Tier two funding requests can be made at any point throughout the year as opportunities present themselves, however when possible requests should be made during the normal grant cycle. Tier two projects must be identified on airports CIPs just like any other funding request. Tier two projects should be the highest priority of the airport, therefore in most cases there will not be additional grants through the traditional program for other projects. If the airport is not willing to consolidate into a tier two grant, the airport should not be requesting additional funding through tier two for a different project. Tier two funding requests should be made for projects that have a high priority for the airport and the state system but do not fit within the framework of the normal grant program.

The CAB will determine the amount of funding available for tier two grants on an annual basis. There is no guarantee that tier two funding will be available each year. Tier two projects will allow the CAB and Division to accomplish projects that have a high priority and impact to the state aviation system that would not have been possible under the traditional CDAG program.

7.4.1.3 Local – Gunnison-Crested Butte Regional Airport

GUC has several sources of funding for its capital improvement program:

- Airport operating revenues. As noted above, in FY 2014 GUC generated approximately $1.2 million in revenue, however, the large majority of that is used for airport operations and maintenance expenses.

- FAA entitlement grants, discussed above. GUC receives approximately $1.1 million annually in entitlement grants. The application of FAA grants is limited to FAA eligible capital improvement projects, and cannot be used for airport operations and maintenance (O&M).
- FAA discretionary grants, discussed above.
- FAA-approved Passenger Facility Charges (PFC). PFCs are set at $4.50 and are levied on each enplaning passenger, discussed above. PFCs generate approximately $61,000 annually depending on the level of enplanements each year, and can only be used for specifically designated FAA-eligible capital projects. The financial projections assume they will increase to $65,000 annually.
- Interest and investment income – GUC receives relatively little from interest and investment income. In 2014 it generated less than $3,000.

The renovation of Runway 6-24, associated taxiway improvements, and grading the safety area are being financed by the Airport through FAA entitlement and discretionary grants, revenue from Passenger Facility Charges, CDOT grants, and airport operating revenue. Financing the terminal development program will require funding from all of those sources, as well as Gunnison County in the form of various financial instruments.

7.4.1.4 Local - Gunnison County Funding

As the airport sponsor, Gunnison County assumes overall financial responsibility for the Airport. The County prepares a five-year Capital Improvement Plan (CIP); the latest one is dated 2015-2019. The County has a number of methods to finance capital improvements, including a number of funding sources, listed below.

- Sales tax
- Conservation Trust Fund (CFT)
- Road and Bridge Fund
    - Highway Users Tax Fund (HUTF)
    - Payment in Lieu of Taxes (PILT)
    - Federal Forest Reserve/Secure Rural Schools
- Airport Fund
    - Airport Operations Reserve
    - Passenger Facility Charges
    - Federal Aviation Administration Grants/Colorado Div. of Aeronautics Grants (CDAG)
- Internal Service Funds I and II

Source: Gunnison County Capital Improvement Plan, 2015-2019, V. Funding Sources

Under Colorado State law, Gunnison County could issue bonds, certificates of participation, as well as other financial instruments, whichever is most appropriate, to finance capital improvement projects, as it did recently for the new County Courthouse. The capital expenditure fund for the Courthouse totaled $13,146,693, with $1,000,000 from the Colorado Department of Local Affairs (DOLA), $10,000,000 from Certificates of Participation, and $2,133,693 from the Courthouse Renovation Fund.

Gunnison County has a number of financial tools it can use to finance the balance of the airport terminal program that is not financed by the FAA, CDOT, the Airport, or private sources. The County's ability to issue bonds, as well as other financial instruments for capital improvements is directly affected by a number of factors such as its debt burden, the ability to service its debt burden, County bond ratings, market interest rates, funding sources (e.g. revenue from property and sales taxes, rooms and meals taxes), among others. The Gunnison County 2014 Budget noted:

FIGURE 7-5

The legal debt limit is 3% and is only subject to general obligation bonds. Gunnison County has no general obligation bonded debt. Therefore, the historical table "Ratio of Annual Debt Service Expenditures for General Bonded Debt to Total General Expenditure" is not included.

Computation of legal debt limit:		
2013 actual valuation, per Assessor		$3,982,516,050
Legal debt limit percentage *		3%
Legal Debt Limit		**$ 119,475,482**
Total long-term borrowing	$ 26,575,000	
Less: Certificates of Participation	(26,575,000)	
Net borrowing applicable to debt limit		-0-
Legal Debt Margin		**$ 119,475,482**

*Source: Colorado Revised Statutes 30-26-301

Source: Gunnison County 2014 Budget

The primary bond rating agencies, Moody's and Standard and Poor's, rated the County's credit as excellent (AA-, Aa3), which means reduced interest rates and lower borrowing costs when the County issues bonds.

As noted above, the FAA can issue grants for only those portions of the terminal program that are designated public use. FAA grants cannot be used for any part of the terminal building that is leased to a private entity, financed by revenue from customer facility charges (CFCs are levied on rental car companies), or those facilities that generate revenue, including the vehicle parking lot. As a result the FAA cannot finance a certain share of the terminal program cost, and that portion must be financed by the Airport, the County, and CDOT.

The Terminal Concept Study will identify what percentage of the anticipated terminal program cost will be eligible for FAA grants based on the identification of revenue generating space in and adjacent to the terminal building.