Chapter Six
Capital Improvement Plan & Financial Analysis

6.1. Capital Improvement Plan Overview

As presented herein, an investment totaling approximately $14.9 million is required between fiscal years 2014 and 2018 to complete all necessary aviation safety, preservation and capacity enhancement projects programmed in this short-term plan (**Table 6-1)**. The following funding sources are required in order to complete this program as more fully described later in this chapter:

Table 6-1: Capital Improvement Funding Source Summary

Funding Source	Amount	Percent of Total
FAA Entitlement*	$4,825,000	32%
FAA Discretionary	$4,373,000	29%
Minnesota DOT	$667,500	5%
City of St. Cloud	$5,084,500	34%
Total	**$14,950,000**	**100%**

**Includes $1.45 million in carryover funds from prior federal fiscal years*

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

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

- Projections of enplaned passengers as presented in Chapter Two for the Base Forecast Scenario to derive Federal Aviation Administration (FAA) Airport Improvement Program (AIP) entitlements required to complete the program
- A funding plan for the capital improvement plan utilizing AIP entitlement and discretionary funds as well as the State of Minnesota, Office of Aeronautics, Grant-in-Aid Program; and City Funds
- STC's existing financial structure and agreements with its major tenants
- Actual revenues and expenses for the period FY2008 through FY2012
- Estimated revenues and expenses for the Airport for FY2013
- Budgeted revenues and expenses for the Airport for FY2014
- Projections of revenues, expenses, and net cash flows from the operation of the Airport between FY2015 through FY2018 based on historical actual (FY2008–2012), estimated (FY2013) and budgeted (FY2014)
- A detailed cash flow analysis for the planning period FY2015 through FY2018 identifying the sources and uses of funds applied to the CIP

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

6.1.1. Airport Capital Improvement Plan

All airports receiving federal AIP funding are required to maintain a current Capital Improvement Plan (CIP) with the FAA which identifies projects to be undertaken at an airport over a specified period of time. This plan further estimates the order of implementation as well as total project costs and funding sources. It incorporates all projects recommended as part of this Master Plan Update for the short-term planning horizon (FY2014-2018) and includes projects currently addressed in the Airport's existing CIP.

The recommended CIP and its corresponding cost estimates are based on a planning level of detail and are presented in **Table 6-2**. While accurate for master planning purposes, actual project costs will likely vary from these planning estimates once project design and engineering estimates are developed. Costs as shown in Table 6-2 are based on current year (2014) construction dollar values and also include contingencies, design costs, and construction management costs. Each project was analyzed for AIP funding eligibility and a preliminary funding scenario was developed for each project from AIP, State, and City funds.

Table 6-2. Capital Improvement Plan

St FY	Fed FY	Description	Funding Rates FAA	Funding Rates St	Funding Rates Mun	Project Cost	FAA Funding	State Funding	Local Funding
	2014	Parking Lot - EA	90%	5%	5%	$130,000	$117,000	$6,500	$6,500
	2014	SRE Blower	90%	5%	5%	$740,000	$666,000	$37,000	$37,000
2014		ATCT Voice Switch	0%	80%	20%	$100,000	$0	$80,000	$20,000
2014		Temporary Parking Lot Expansion	0%	80%	20%	$95,000	$0	$76,000	$19,000
2014		Additional Commercial Ramp Paving	0%	80%	20%	$15,000	$0	$12,000	$3,000
	2014	**Subtotal**				**$1,080,000**	**$783,000**	**$211,500**	**$85,500**
	2015	Runway 13/31 Extension - Construction	90%	5%	5%	$4,350,000	$3,915,000	$217,500	$217,500
	2015	Terminal Planning / Concept Budget Report	90%	5%	5%	$100,000	$90,000	$5,000	$5,000
2015		FBO Hangar Construction Additions	0%	80%	20%	$120,000	$0	$96,000	$24,000
2015		Annual Crack Seal	0%	80%	20%	$25,000	$0	$20,000	$5,000
	2015	**Subtotal**				**$4,595,000**	**$4,005,000**	**$338,500**	**$251,500**
	2016	Terminal Expansion EA	90%	0%	10%	$200,000	$180,000	$0	$20,000
	2016	North G.A. Apron Rehabilitation / Twy C Realign	90%	0%	10%	$1,450,000	$1,305,000	$0	$145,000
2016		Annual Crack Seal	0%	70%	30%	$25,000	$0	$17,500	$7,500
2016		Parking Lot Reconfiguration & Expansion	0%	0%	100%	$3,500,000	$0	$0	$3,500,000
	2016	**Subtotal**				**$5,175,000**	**$1,485,000**	**$17,500**	**$3,672,500**
	2017	Terminal Expansion	90%	0%	10%	$3,000,000	$2,700,000	$0	$300,000
2017		Hangar Site Preparation	0%	50%	50%	$200,000	$0	$100,000	$100,000
2017		10-unit T-Hangar	0%	0%	100%	$650,000	$0	$0	$650,000
	2017	**Subtotal**				**$3,850,000**	**$2,700,000**	**$100,000**	**$1,050,000**
	2018	South G.A. Site Development - EA	90%	0%	10%	$250,000	$225,000	$0	$25,000
	2018	**Subtotal**				**$250,000**	**$225,000**	**$0**	**$25,000**
		Totals				**$14,950,000**	**$9,198,000**	**$667,500**	**$5,084,500**

Notes:

STC has $1.45M entitlement carryover for 2014

10-unit T-Hangar funded w/ State Hangar Loan program

Over the course of the upcoming short-term planning period (FY2014-18), STC is proposing to focus on enhancing the capacity of its airfield through construction of an extension to its primary runway (13/31), expanding its air carrier terminal building and automobile parking area, and constructing additional t-hangar aircraft storage units. It is also aiming to complete an airfield pavement rehabilitation project for its general aviation aircraft parking apron, and acquire additional snow removal equipment.

6.1.2. Funding for the Program

The overall funding strategy for completion of STC's Five Year (FY2014-2018) Airport Development Program presented in Table 6-2 is based on a phased approach to accomplishing all necessary construction and other related program elements described above. The Program requires an investment of approximately $14.9 million with allocations of $4.8 million (FAA Entitlement), $4.4 million (FAA Discretionary), $0.67 million (State of Minnesota), and $5.1 million (City Funds).

FAA funding participation in the proposed plan is based on the AIP as authorized in 2012. This analysis assumes continuance of AIP funding through the planning period absent major changes to appropriation levels by Congress. However, in the past, the AIP has experienced fluctuations in levels of funding and interruptions in availability of resources. Despite historical fluctuations in authorized appropriations and current potential threats to existing funding levels, the controlling objectives of this proposed plan are to maximize the use of resources from the AIP revenues and to minimize costs to the Airport and local funding requirements. Further description of both funding sources and anticipated timing of funding allocations are discussed in greater detail below.

6.1.3. Federal AIP Grants

Federal grants for the FY2014-2018 STC Capital Improvement Plan are anticipated to be made available through the FAA's AIP program. On February 14, 2012, President Obama signed into law the FAA Modernization and Reform Act of 2012, the current AIP legislation which provides both Entitlement funds and Discretionary grant allocations for eligible projects undertaken by an airport sponsor. As a general rule, only those airport projects that are related to non-revenue producing facilities, including many of those listed in STC's proposed capital improvement program, are eligible for federal funding for up to 90 percent of total project costs.

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

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

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

Also, in any fiscal year in which the total amount made available under Title 49 U.S.C., Section 48103 is $3.2 billion or more the amount to be apportioned to a sponsor is increased by doubling the amount that would otherwise be apportioned under the formula. Under this scenario, the minimum apportionment to an airport sponsor is increased to $1,000,000 rather than $650,000, and the maximum apportionment to a sponsor is increased to $26,000,000 rather than the $22,000,000. The FAA Modernization and Reform Act of 2012 provides annual authorized funding levels for AIP in the amount of $3.35 billion per year for federal fiscal years 2012 through 2015. Provided the annual appropriation by Congress is equal to or greater than $3.2 billion, the minimum entitlement for primary airports (i.e., an airport with a minimum of 10,000 enplaned passengers) will total $1.0 million a year during this period. Based on the enplaned passenger forecasts developed as part of this master planning effort as well as the Entitlement formula described above, STC is expected to receive annual AIP Entitlement fund allocations of $1.0 million for the period FY2014 through FY2018.

The AIP program also allows for discretionary funding to be made available from the FAA to provide financial support for major capacity- or safety-related projects. The CIP as presented in Table 6-2 anticipates FAA discretionary funds totaling approximately $4.4 million being made available for this program over the next five years. These grant-in-aid funds are to be dedicated to completion of the Runway 13/31 extension project, rehabilitation of the general aviation aircraft parking apron, and expansion of the air carrier terminal building. The likelihood of receiving the required level of discretionary funding is considered high given the important airfield preservation and airport capacity enhancements that will result through undertaking this work.

6.1.4. State of Minnesota Department of Transportation Funds

Because STC is properly zoned and recognized by the State of Minnesota as a publicly owned and licensed public use airport included in State's Airport System, it is eligible to receive individual grants and loans for construction of certain types of hangars from the Department of Transportation, Office of Aeronautics (Office of Aeronautics). To qualify for state funding for capital and/or state-backed debt for hangar development, the City is required to maintain a five-year Capital Improvement Plan (CIP) with the Office of Aeronautics. Proposed projects are to be justified by the City and benefit the air-traveling public. The Office of Aeronautics utilizes a priority evaluation system to award its grants. Eligible projects include but are not limited to:

- Planning
- Environmental Assessments
- Land Acquisition
- Runway Construction
- Taxiway & Taxilane Construction
- Apron Construction

- Aircraft Hangars
- Pavement Maintenance
- Entrance Road Construction
- Arrival/Departure Buildings
- Non-Revenue Producing Public Parking Areas
- Equipment Acquisition
- Lighting
- Signs

For projects receiving federal financial aid through the AIP and being undertaken in fiscal years 2014-15, the Office of Aeronautics will share equally with the City the non-federal costs of projects (5 percent each). Beginning in fiscal year 2016, the Office of Aeronautics may not participate in funding the non-federal share of AIP projects and the City will be responsible for the entire 10 percent matching requirement.

The Office of Aeronautics also funds a myriad of state-local financed airport improvement projects. For eligible non-revenue producing projects that are not financed through the AIP, the City is eligible to receive 80 percent funding from the Office of Aeronautics through state fiscal year 2015, and 70 percent thereafter. An increased 80 percent funding level may continue through 2016, but for programming purposes, the projects present herein reflect a restoration of original funding levels.

In addition to eligible non-revenue producing projects, the Office of Aeronautics provides grant and loan programs for the following airport improvement projects:

- **Revenue Generating Projects** (*50 percent State and 50 percent City*)
  These projects generate airport revenue and benefit the air-traveling public. Eligible projects include but are not limited to:
  - Fuel Facilities
  - Hangar Site Preparation
  - Fixed-Based Operators (FBO) Facilities

- **Navigational Aid System Acquisition, Installation, and Airfield Marking** (*100 percent State*)
  Projects include the acquisition and installation of certain navigational aids and marking of airfield pavement completed under the State contract for this service.

- **Aircraft Hangar Loans** (*80 percent State and 20 percent Local*)
  The City is eligible to receive zero percent loans from the State for the construction of aircraft hangar facilities. Hangars must be for storage-only and the loans are to be fully amortized over a ten year period.

The recommended CIP for STC proposes securing $0.67 million in grant-in-aid funding from the Office of Aeronautics to finance the short-term (5 year) CIP.

6.1.5. City of St. Cloud Funds

Funding for STC capital improvements are allocated through the City of St. Cloud's Capital Projects Airport Construction Fund. Resources in this fund include FAA/state grants and City general property tax revenues which are allocated exclusively for the planning, design, and construction of improvements and/or acquisition of equipment at STC. Each year during the City's budgeting process, Airport staff provides descriptions of projects to be undertaken at STC, availability of FAA/state grants, and required local resources to obtain these grant-in-aid funds. Airport staff also provides descriptions and cost estimates for projects that are not eligible for grant-in-aid financing and are to be accomplished with City-only resources.

Beyond the City's general property tax levy, capital projects completed at STC are also financed in part through the St. Cloud Area Sales Tax levy. This fund was established to account for the local area ½ percent sales tax that is authorized by the Minnesota State Legislature until 2018. The City may utilize revenues generated through this levy to complete airport improvements between FY2014-18.

The recommended CIP for STC proposes $5.1 million in City of St. Cloud capital funds being allocated to accomplish projects during the period FY2014-18. Of this amount, $3.5 million is dedicated to the construction of an automobile parking expansion project slated to be financed through the Local Option Tax. State funding may also be obtained to assist construction in lieu of relying exclusively on local funds. Construction of the T-hangar units in 2017 is to be financed through the State's hangar loan program. This program provides interest-free loans for a 10 year period; therefore, it is expected that St. Cloud will set rent for these units at a level commensurate to retire this debt.

6.1.6. Conclusions and Recommendations – Capital Plan

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

- Discuss with the FAA the need for the requested AIP discretionary aid to complete the Runway 13/31 Extension, General Aviation Aircraft Parking Apron Rehabilitation, and Air Carrier Terminal Building Expansion projects
- Enter into a dialogue with the State of Minnesota, Department of Transportation, Office of Aeronautics about programming its overall share of the plan ($0.67 million)
- Adopt a five year capital improvement plan which includes the funding required from the Airport Construction Fund and/or Local Option Sales Tax to provide sufficient funds for its overall 34 percent share of this short term plan ($5.1 million)

The most critical elements for the successful implementation of this plan are receipt of grant-in-aid funding from the FAA and the State of Minnesota, Department of Transportation, Office of Aeronautics. Collectively, these sources are expected to provide approximately $9.9 million or 66 percent of all funding for this five year program.

6.2. Airport Business & Financial Plan Analysis

Included in **Appendix A** of this report is the 2014 STC Business and Financial Analysis. This analysis was prepared at the request of the City and gauges the impact to both revenues and expenses based upon current and forecast air carrier passenger service activity at STC as presented in this planning report. It evaluates STC's financial performance in the current year (FY2013) as well as its potential performance during the short-term planning horizon (FY14-18) under three distinct scenarios:

Base – 10,000 to 50,000 enplanements
Moderate – 50,000 to 100,000 enplanements
Rapid – 100,000 to 150,000 enplanements

The Base scenario parallels the analysis contained in this chapter while the Moderate scenario forecasts revenue and expenses assuming enplanements total 66,438 in 2016 while the Rapid scenario expects enplanements to be 141,549 in 2016. To accomplish the development of five year financial outlooks for the Moderate and Rapid air service development scenarios, a peer group of air carrier airports with 2012 enplanements ranging from 15,630 to 161,452 was identified and key financial performance measures were obtained. In addition, non-airline and non-passenger related revenue forecasts were developed and applied to each scenario.

At the time this report was prepared, the City was in the process of securing daily service to Chicago; therefore, the assumptions in this Base scenario do not reflect the potential impact of this service in the market. As concluded in this report, the importance of re-establishment of commercial airline service at STC cannot be understated in terms of airport finances, community pride, and overall economic impacts to the greater St. Cloud region. As described in this chapter and confirmed in the STC Business and Financial Analysis, Allegiant's service will generate revenues for STC commencing in FY2015. This new revenue, coupled with the renewal of the Airport's FBO contract, increase in the fuel flowage rate, and completion of a new hangar facility enables the City's tax transfer to stabilize during the planning period.

Attainment of daily service to Chicago in the Moderate scenario bolsters the Airport's financial position through additional landing fees and terminal building rents. Airline passenger activity in the Moderate scenario should foster rental car revenues as well. Collectively, the Moderate scenario generates the most positive financial outcomes in terms of forging a foundation for STC to be self-sufficient void of reliance on tax revenue transfers from the City and fulfilling its FAA grant assurances to set and collect airport rates and charges in order to make the Airport as self-sufficient as possible. If attained, the Moderate scenario would require the City to transfer tax revenues at a level consistent with 2005-06 levels.

The Rapid scenario could prove to overwhelm the City in terms of the timing and lack of terminal and landside amenities to support the volume of passenger traffic associated with this level of activity. Given the rapid rise in passengers associated with this model; a 992% increase (13,000-142,000) in 3 years, it is highly unlikely that this scenario is attainable. Nonetheless, the data provided for these airports offer insight to the potential cost structure STC could encounter as its enplanements reach this level and enable the City to effectively program facility enhancements to meet the demand for services associated with this volume.

6.3. Financial Structure

Organizationally, the Airport is considered an Operating Division of the Public Services Department of the city of St. Cloud, Minnesota (City) government, one of six departments charged with delivering a broad range of services to its citizens. The City utilizes a Fund Accounting System to monitor and track revenues and expenditures. The General Fund is the City's primary operating fund and accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The City also maintains Major Special Revenue Funds, including the Airport Operating Special Revenue Fund, which accounts for all activities and maintenance of the St. Cloud Regional Airport. The Airport's financial results are reported within the composite financial statements of the City through the City's General Fund and also as a distinct Special Revenue Fund activity since STC has full-time employees assigned to it, generates significant financial activity and functions as an operational division of the City.

The City's Finance Department acts as the fiscal agent for the Airport and is responsible for maintaining its budgetary as well as revenue and expenditure accounts. The City maintains discrete financial records to account for the itemized revenues and expenses of the Airport. The City's fiscal year (FY) runs concurrently with the calendar year (January 1 to December 31) and it utilizes a modified accrual basis of accounting for reporting financial results. Modified accrual accounting recognizes revenues when they become available and measurable and, with a few exceptions, recognizes expenditures when liabilities are incurred. The annual budget serves as the foundation of the City's financial planning and control. All departments of the City, including STC, are required to submit requests for appropriation to the City Administrator and Finance Director in June of each year. The Finance Department utilizes these requests to develop a proposed budget and the City Administrator presents this plan to the Mayor and Council for review prior to September 15. The Council is required to hold public hearings on the proposed budget and to adopt a final budget no later than December 31 of each year. The appropriated budget is prepared by fund, department and program.

The City utilizes 15 distinct Operating Revenue and 36 Operating Expenditure codes to track Airport revenues and expenses. For purposes of this analysis, historical financial data from these distinct categories were aggregated into broader functional areas. As such, both Revenue and Expenditure data generally corresponds to City records and reconciles with U.S. Department of Transportation, FAA Form 5100-27, *Operating and Financial Summaries for FY2008-2012,* adopted City Budget data for FY2013-14.

This analysis offers STC a baseline evaluation of revenues and expenses over the past seven years in order to provide a framework for understanding future impacts associated with implementation of the selected Master Plan Capital Improvement Plan (CIP) as well as ongoing expenditures and revenue streams. It is not intended to serve as a true Airport profit and loss statement; instead, it offers insight to emerging trends that could impact the future financial performance of STC.

6.4. Historical Airport Revenues

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

- **Airline Revenue**
  - Landing Area – Airline Landing Fees
  - Terminal Area – Airline Terminal Rental/Other Charges & Terminal Area Apron Charges
- **Local Revenue – City of St. Cloud**
- **Non-airline Revenue**
  - Airfield Area: T-Hangar Rent, Landing Fees – Other, Fuel Flowage Fees and Fixed Base Operator (FBO) Revenue
  - Terminal Area: Auto Rental Concessionaire, Food and Beverage Services, Snow Removal Fees – Guard Facility and Display Advertising Concession
  - Administration: Miscellaneous Revenue & Interest Earnings
  - Other Areas: Other Revenue, State Operating Grant, Homestead Credit, Minnesota Department of Transportation (MN/DOT) Airport Maintenance Grant, Land and Non-Terminal Rental and Miscellaneous Revenue

Table 6-3 depicts the Airport's historical revenues from FY2008 through FY2012 along with Estimated and Expected Revenues for FY2013 and FY2014, respectively. During this period, total Airport operating revenue experienced modest growth increasing from $757,382 in FY2008 to $829,000 in FY2014 (Budget); representing an increase in revenue of approximately $72,000 translating to a 2-percent compounded annual growth rate for this period. As of FY2014 (Budget) local property tax revenue support from the City is expected to account for approximately 57 percent of the Airport's revenue base. The FY2014 budget for the City forecasts that beyond general tax revenue, T-hangar rent (12.1%), the Office of Aeronautics' Airport Maintenance Grant Program (10.9%), Land and Non-Terminal Rents (9.7%), and Fuel Flowage Fees (3.6%), comprise the vast majority of revenues for STC.

6.4.1. Airline Landing and Terminal Area Fees

On December 31, 2009 Mesaba Airlines, doing business as Delta Connection, ceased service at STC leaving the airport without scheduled commercial air transportation service. Annual revenue derived from Mesaba's operation averaged $57,585 during the period FY2006-2009 and constituted approximately 8.4 percent of the Airport's revenue base. The City collected aircraft landing fees, air carrier terminal building rents and Terminal Area Apron Fees from Mesaba for its use and occupancy of airport premises. In December 2012 Allegiant Air launched service to Phoenix Gateway Airport from STC. In accordance with the STC Airline Incentive and Marketing Program, fees and charges for Allegiant Air are waived for the first two years after initiation of new service. Therefore, no airline revenue is forecast for FY2014.

Table 6-3. Historical Airport Revenues

	Historical					Estimate	Budget	CAGR
	2008	2009	2010	2011	2012	2013	2014	FY08-FY14
AIRLINE REVENUES								
LANDING AREA								
Airline Landing Fees	$20,730	$18,827	-	-	$938	$1,454	-	
TERMINAL AREA								
Terminal Area Rental/Other Charges	33,465	29,701	14,985	-	-	-	-	
Terminal Area Apron Charges	7,988	7,988	1,331	-	-	-	-	
Total Airline Revenue	***$62,183***	***$56,516***	***$16,316***	***$0***	***$938***	***$1,454***	***$0***	
LOCAL REVENUE – CITY OF ST. CLOUD	***$313,055***	***$313,266***	***$350,778***	***$439,664***	***$474,823***	***$475,200***	***$475,200***	7%
NON-AIRLINE REVENUES								
AIRFIELD AREA								
T-Hangar Rent	100,816	91,286	92,495	94,350	2,122	80,806	100,000	0%
Landing Fees -- Other	2,167	1,125	1,239	452	-	-	-	
Fuel Flowage Fees	20,746	18,014	14,450	14,738	6,833	15,000	30,000	6%
FBO Revenue	25,373	25,535	20,006	20,770	21,534	21,500	21,500	-3%
TERMINAL AREA								
Auto Rental Concessions	39,717	24,829	119	-	-	-	-	
Food and Beverage Services	828	607	424	367	268	175	300	-16%
Snow Removal Fees -- Guard Facility	-	-	6,643	6,494	5,097	6,734	6,000	-3%
Display Advertising Concession	1,666	3,149	-	-	-	-	-	
ADMINISTRATION								
Miscellaneous Revenue	4,783	-	-	-	-	-	-	
Interest Income	2,649	523	259	160	965	388	-	
OTHER AREAS								
Other Revenue	2,125	3,104	2,267	5,541	2,230	11,725	8,000	25%
State Operating Grant	36,449	28,623	30,047	25,521	6,180	18,700	17,500	-12%
Homestead Credit	21,420	19,740	-	-	-	-	-	
MNDOT Airport Maintenance & Costs	90,484	90,484	90,484	88,377	2,591	90,500	90,500	0%
Land and Non-Terminal Rental	26,570	23,895	23,683	26,015	33,410	45,000	80,000	20%
Miscellaneous Revenue	6,351	2,858	-	500			-	
Total Non-Airline Revenue	***$382,144***	***$333,772***	***$282,116***	***$283,285***	***$291,230***	***$290,528***	***$353,800***	-1%
TOTAL OPERATING REVENUE	**$757,382**	**$703,554**	**$649,210**	**$722,949**	**$766,991**	**$767,182**	**$829,000**	2%

Source: FAA:AAS-400 CATS: Report 127 (FY2008-2012) & City of St. Cloud, MN

CAGR = Compound Annual Growth Rate

6.4.2. Local Revenue – City of St. Cloud

During this seven year period, general fund property tax transfers from the City of St. Cloud increased from $313,055 to $475,200 representing a compound annual growth rate of seven percent. The need for increased general fund property tax support for airport operations was driven by the ongoing impacts associated with the elimination of Mesaba Airlines service in 2009 and associated loss of auto rental concession revenue and other fees derived from air carrier flight operations and passengers. Elimination of the City's Homestead Credit revenue transfer program in 2009 also necessitated increased transfers of general fund property tax revenues for Airport operations.

6.4.3. Non-Airline Revenue

6.4.3.1. Airfield Revenue

This category of revenue includes fees collected for T-hangar Rent, Landing Fees – Other, Fuel Flowage Fees and revenue derived from FBO operations. Total revenue generated by these activities increased from $149,102 in FY2008 to $151,500 in FY2014 (Budget).

The largest source of Airfield Revenue for STC is rent charged for occupancy of seven City-owned T-hangars. Current leaseholders include St. Cloud State University, Aerographics, CEO Aviation, and Oleen Ag Air. The St. Cloud State University Aero Club also owns a T-hangar in the GA aircraft storage hangar area, and one privately-owned hangar that is located on the northern edge of the area. Rental income derived from these leases decreased between 2008 and 2013 from $100,816 to $80,806 as annual collections fluctuated due to changes in the overall occupancy rate for these T-hangar units. In 2009, STC, like most airports, witnessed decreases in overall aviation activity, including the lease of hangar space, due to the economic recession. STC experienced a 9.4 percent decline in T-hangar revenue during this period and is only recently beginning to recover this lost revenue due to increased hangar occupancy and associated rental income.

Two FBO's, St. Cloud Aviation and Wright Aero, provide general aviation services to based and transient aircraft at STC. Wright Aero provides flight training services and testing services, with offices in a standalone building located to the immediate northwest of the GA terminal. Wright Aero also operates a charter fleet. These aircraft are housed and maintained in a hangar located to the immediate northwest of the Wright Aero office and flight training building. St. Cloud Aviation occupies two hangars to the immediate northwest of the Wright Aero hangar. St. Cloud Aviation provides line service for GA users, including fuel service, overnight hangars, ground power units, de-icing/anti-icing, airframe and engine maintenance and inspection, and avionics installation and repair. Wright Aero owns and operates both companies and holds a twenty-year non-renewable lease and operating agreement with the City that expires on June 30, 2016. Per the terms and conditions of this agreement, Wright Aero/St. Cloud Aviation jointly occupy 45,585 square feet of Airport property ($0.16/sq. ft) and 1,232 square feet of building space ($7.50/sq. ft.) and provided approximately $21,500 in rental income for fiscal year ending December 31, 2014.

The City also assesses a fuel flowage fee of $0.05/per gallon on all fuel dispensed at STC. This fee is anticipated to yield $30,000 in revenue for the City during FY2014. Between 2008 and 2012, STC observed a decrease of 19 percent in this source of revenue from $20,746 in 2008 to $16,833 in FY2012 only to begin some recovery in FY2013. This recovery should be further spurred in FY2014 when the

City is programming an increase in the fuel flowage fee rate to $0.10/per gallon. Again, the economic recession resulted in decreased aviation activity, subsequently causing a decline in fuel revenue and fuel flowage fees.

6.4.3.2. Terminal Area Rentals

Terminal Area Rentals historically represented fees received by the City for rent of all terminal area space, except for airline operations, including Rental Car Operations/Concessions, Food/Beverage Service, and Display Advertising Concession fees. Subsequent to Mesaba, doing business as Delta Connection, eliminating service to STC in 2009, collection of auto rental concession revenue, food/beverage service fees and display advertising income also ceased. Between FY2006 and 2008 these concessions generated an average of $48,275 in revenue for STC representing approximately 15 percent of all non-airline revenue collections. In 2009, the Army National Guard established a helicopter base at STC and contracted with the City to provide snow removal services for its facilities. Fees are established at a rate sufficient for the City to recoup the cost of personnel, equipment and fuel to provide this service and fluctuates based upon the severity of winter storm events.

6.4.3.3. Other Areas

Principle sources of “Other Area” revenue for STC include the MN/DOT Airport Maintenance grant-in-aid program, the MN/DOT Airport Operating Grant Program, Land and Non-Terminal Revenue and until FY2011 the City of St. Cloud Homestead Credit Program which was de-programmed by the City at that time. Collectively, these sources of revenue provide approximately 24 percent of the funds required for the operation and maintenance of STC.

The MN/DOT Airport Maintenance and Operation Program provides 67 percent reimbursement to airports for daily operation and maintenance expenses based on an airport’s size and level of activity. Eligible costs generally include labor, material, equipment, and utility expenses for the operation and maintenance of airport landside and airside facilities. With the exception of FY2011, when slightly less than $90,000 was awarded the City, STC has historically received approximately $90,500 from this grant program.

The State of Minnesota also provides operating grant funds to STC to offset the cost of operations; however, since FY2008 the state has curtailed funding of this program as the airport has witnessed its allotment decrease from $36,449 in FY2008 to $17,500 in FY2014 (Budget).

Land and Non-Terminal Rental Income is derived from lease of Airport property for farming operations, the St. Cloud State University Aero Club, and Life Link III, an air medical transportation provider. These land leasing activities yielded $26,570 in FY2008 and is anticipated to peak at $80,000 in FY2014 with completion of the new aircraft hangar facility.

6.4.4. Summary of Historical Airport Revenue

During the seven year period FY2008-14 (Budget), total Airport operating revenue experienced modest growth increasing from $757,382 in FY2008 to $829,000 in FY2014 (Budget); representing an increase in revenue of approximately $72,000 translating to a 2-percent compounded annual growth rate for this period. Because airline service at STC ceased in 2009 and the economic recession stymied general aviation activity, reliance on increased levels of City General Fund Property Tax revenue was necessary during this period. These revenues were utilized to offset increasing costs of materials, supplies, utilities and fuel as more fully described below.

6.5. Projected Airport Revenue

Estimates of the Airport's future revenues were developed based on historical trends from FY2008 through FY2012, estimated totals for FY2013, the FY2014 budget, and an analysis of future revenue potential utilizing the Base Scenario from the 2014 Business and Financial Plan Analysis. **Table 6-4** presents estimated revenues for FY2013 and 2014 as well as projected revenues for the period from FY2015 through FY2018, the end of the short-term planning period for the Airport's CIP.

It is expected revenue growth will increase during this period at a compounded annual growth rate of 2 percent resulting in overall revenue levels growing from approximately $825,135 to $900,781. Expected trends for major sources of airport revenue and passenger activity are summarized below:

Enplanement/Air Service Assumptions

- STC served by Allegiant Air with service to Phoenix and Orlando
- FY2013 enplanements total 13,000
- FY2014 enplanements total 26,000 and grow 2% per year thereafter to 28,143 in FY2018
- No additional air service is realized in the market through FY2018

Revenue Assumptions

- STC Airline Incentive Program in effect through FY2015. Allegiant Air starts payment of a landing fee and turn fee for Phoenix flights in FY2015. Allegiant Air starts payment of same fees for its Orlando flights in FY2016
- FBO Revenues increase 10% in FY2016 based upon a new agreement and grow 2% per year thereafter
- Airport Fuel Flowage Fee increased to 10 cents per gallon in FY2014
- Additional land rent associated with hangar construction is realized in FY2014 and grows 2% per year thereafter
- Given limited inbound passenger traffic from Allegiant service, no appreciable rental car revenue is envisioned
- City tax revenue remains relatively constant throughout the period due to increases in aeronautical revenue growing 1% each year from $453,175 in FY2015 to $495,238 in FY2018

Table 6-4. Projected Airport Revenues

	Estimate	Budget	Projected			
	2013	2014	2015	2016	2017	2018
AIRLINE REVENUES						
LANDING AREA						
Airline Landing Fees	$1,454	$0	12,550	25,100	25,602	26,114
TERMINAL AREA	$0	$0	$0	$0	$0	$0
Total Airline Revenue	***$1,454***	***$0***	***$12,550***	***$25,100***	***$25,602***	***$26,114***
LOCAL REVENUE – CITY OF ST. CLOUD	***$475,200***	***$475,200***	***$453,175***	***$457,083***	***$475,664***	***$495,238***
NON-AIRLINE REVENUES						
PASSENGER RELATED REVENUE						
Auto Rental Concessions	-	-	-	-	-	-
Food and Beverage Services	175	300	300	300	300	300
Display Advertising Concession	-	-	-	-	-	-
SubTotal: Passenger Revenue	175	300	300	300	300	300
NON-AIRLINE REVENUE						
T-Hangar Rent	80,806	100,000	102,000	104,040	106,121	108,243
Fuel Flowage Fees	17,939	30,000	30,720	31,457	32,212	32,985
FBO Revenue	26,395	21,500	21,500	23,650	24,123	24,605
Snow Removal Fees - Guard Facility	6,734	6,000	6,000	6,000	6,000	6,000
Interest Income	388	-	250	250	250	250
Other Revenue	11,725	8,000	8,240	8,487	8,742	9,004
State Operating Grant	18,700	17,500	17,500	17,500	17,500	17,500
MNDOT Airport Maintenance & Costs	90,500	90,500	90,500	90,500	90,500	90,500
Land and Non-Terminal Rental	45,000	80,000	82,400	84,872	87,418	90,041
SubTotal: Non-Airline Revenue	298,186	353,500	359,110	366,756	372,866	379,129
Total Non-Airline Revenue	***$298,361***	***$353,800***	***$359,410***	***$367,056***	***$373,166***	***$379,429***
TOTAL OPERATING REVENUE	**$775,016**	**$829,000**	***$825,135***	***$849,239***	***$874,432***	***$900,781***

Prepared by: Delta Airport Consultants, Inc., October 2013

6.6. Historical Operating Expenses

The Airport's historical operating expenses for FY2008 through FY2014 (Budget) are presented in **Table 6-5**. During this seven year period, total airport operating expenses remained relatively unchanged increasing from $790,353 in FY2008 to $802,050 in FY2014 (Budget).

Although the City's financial reporting system has established 36 distinct expenditure categories to account for Airport operations, Personnel Expenses (including wages, salaries and employee benefits), Electrical/Natural Gas/Other Utilities, Repairs & Maintenance Services, Repairs & Maintenance Supplies, Insurance, Motor Fuel and Professional Services account for approximately 90 percent of all Airport expenditures and are the focus of this analysis.

6.6.1. Wages, Salaries and Benefits

Included in the broad classification of Wages, Salaries & Benefits are nine distinct accounting codes representing personnel expenditures for the 4.5 full-time equivalent (FTE) City employees who provide Airport Management, Clerical and Building/Facilities Maintenance services as well as those temporary part-time employees retained for winter snow removal operations. Between FY2008 and FY2014 (Budget), these collective costs increased $8,308 from $408,542 to $416,850. Over the course of these seven years, wages, salaries and benefits averaged $412,696 per year and represented 51 percent of all airport expenditures. Several noteworthy trends drove this fractional increase in expenditures during this period. First, overall salaries and wages for full-time employees decreased 1 percent per year. Moreover, while many jurisdictions confronted significant increases in employer paid contributions for employee medical and pension costs, the City contained increases for health care and retirement at or below annual levels of inflation. For the period FY2008-FY2014 (Budget), the City's contribution for employee health insurance decreased from $75,086 to $72,300. Moreover, employee pension contributions by the City decreased 1 percent per year from $18,549 to $18,100.

6.6.2. Electrical, Natural Gas and Other Utilities

Utility Service expenses are comprised of charges for electricity for all Airport buildings and airfield facilities, natural gas for heating, and water and sewage fees. These expenditures comprise 13 percent of the STC's overall operating expenses averaging approximately $107,000 per year during the past seven years. Expenditures in these categories have ranged from a low of approximately $87,000 in FY2008 to a high of approximately $127,000 in FY2014 (Budget), yielding a compounded annual increase of 6 percent during this period. The opening of the expanded air carrier terminal in 2009 coupled with a series of rate increases by local utility companies is the primary reasons these expenditures have increased at levels greater than the consumer price index.

6.6.3. Repairs and Maintenance Supplies

This category of expenditure represents the cost of materials and supplies needed for a host of activities aimed at maintaining and repairing all of STC's grounds and facilities. The cost of materials and supplies for STC witnessed an increase of 1 percent per year between FY2008 and FY2014 (Budget) from $39,350 in the first year of this model to $43,000 in FY2014 (Budget). Average annual expenditures for Repairs and Maintenance Supplies during this period were $42,000 constituting 5 percent of total Airport costs.

Table 6-5. Historical Airport Operating Expenses

	Historical					Estimate	Budget	CAGR
	2008	2009	2010	2011	2012	2013	2014	FY08-FY14
OPERATING EXPENSES								
Regular Salaries & Wages	$252,863	$251,751	$224,447	$231,387	$235,236	$230,600	$246,300	0%
Overtime	30,032	25,809	29,648	17,043	14,625	15,553	25,000	-3%
Temp Employees Regular	4,082	3,377	3,790	4,064	3,216	5,804	25,000	35%
Longevity & Sick Leave Pay	4,909	4,506	4,986	4,623	5,988	6,191	9,100	11%
FICA	21,617	21,023	19,594	19,076	19,127	18,600	19,750	-1%
PERA Coordinated	18,549	18,902	17,991	18,198	18,336	17,000	18,100	0%
Employer Paid Insurance	75,086	77,096	70,113	70,724	73,645	70,700	72,300	-1%
Unemployment Benefit Pymts.	-	-	179	1	-	128	-	
WC Insurance	1,404	1,283	1,273	1,177	1,387	1,908	1,300	-1%
SubTotal: Salaries, Wages & Benefits	***$408,542***	***$403,747***	***$372,021***	***$366,293***	***$371,560***	***$366,485***	***$416,850***	0%
Communications	48,607	19,972	22,273	24,787	16,853	17,000	17,000	-16%
Electric & Other Utilities	61,683	88,425	77,395	71,196	75,372	92,632	82,600	5%
Natural Gas Utilities	25,472	31,423	24,151	32,923	26,524	32,930	44,000	10%
Office & Operating Supplies	5,684	3,816	3,301	1,954	3,783	5,401	8,800	8%
Motor Fuel	22,639	8,156	18,614	22,657	19,096	29,867	42,000	11%
Chemicals	1,559	598	-	-	-	1,537	2,000	
Uniforms & Clothing	115	120	360	340	240	438	500	28%
Repair & Maint.Supplies	39,350	27,833	64,234	53,655	31,269	55,645	43,000	1%
Furniture & Office Equipment	-	-	13,227	-	-	-	-	
Machinery & Equipment	3,244	-	-	-	7,388	-	-	
Rental	2,935	1,394	1,312	1,271	1,484	1,135	1,500	-11%
Repairs & Maint.Services	40,075	54,358	69,177	57,192	42,904	45,332	44,700	2%
Prof. Services Operating	16,084	19,561	67,826	34,922	35,866	78,818	50,000	21%
Insurance	26,280	26,630	23,482	21,332	27,852	29,938	27,000	0%
Long Term Obligations	17,680	17,680	17,680	17,680	1,474	-	-	
Short-Term Debt Interest	16,666	-	-	310	95	-	-	
Training	5,978	3,980	3,493	3,716	5,654	10,116	10,000	9%
Publishing & Advertising	40,386	25,654	42	1,448	942	52	-	
Financial Fees & Charges	1,196	1,167	1,202	1,227	1,119	780	1,500	4%
Other	6,178	6,852	10,882	8,226	10,098	6,691	10,600	9%
SubTotal: Non-Personnel Expenses	***$381,811***	***$337,619***	***418,651***	***354,836***	***308,013***	***408,313***	***385,200***	0%
Total Operating Expenses	***$790,353***	***$741,366***	***$790,672***	***$721,129***	***$679,573***	***$774,798***	***$802,050***	0%

Source: FAA:AAS-400 CATS: Report 127 (FY2008-2012) & City of St. Cloud, MN

CAGR = Compound Annual Growth Rate

6.6.4. Repairs and Maintenance Services

Repairs and maintenance service expenses represent the cost of maintaining and repairing all of the Airport's grounds and facilities as well as snow removal. This category of expenditures grew at an annual rate of 2 percent between the years of FY2008 and FY2014 (Budget) increasing from $40,075 to $44,700. In FY2010 expenditures in this account spiked to $69,177 due to extraordinary snow removal operations required during this winter period. As such, average annual expenditures for Repairs and Maintenance Services during this period were $50,500 constituting 6.3 percent of total Airport costs.

6.6.5. Insurance

Included in this category of expenditures are all Airport property, fire and liability insurance premiums and policy deductibles for STC. For the period FY2008-2014 (Budget), premiums and deductible expenses remained virtually unchanged averaging $26,000 per year and constituting 3.2 percent of all Airport expenses. The combination of a low claims history and adjustments to policies which increased STC's deductible levels accounted for the City being able to hold this category of expenses constant during this period.

6.6.6. Professional Services

Professional Service expenses represent the annual costs of providing consulting contract services to aid in the efficient operation of the Airport as well as for targeted initiatives such as STC's Air Service Marketing and Recruitment efforts. Expenditures in this category are partially offset by MN/DOT's annual Maintenance and Operating Grant Program. Between FY2008 and FY2014 (Budget) expenditures increased at a compound annual growth rate of 21 percent from $16,084 in FY2008 to $50,000 in FY2014 (Budget) and comprised approximately 6 percent of all operating expenses for STC.

6.6.7. Motor Fuel

This category accounts for the purchase of all fuel for City-owned vehicles utilized in the maintenance of STC's grounds and airfield area including the 11 vehicles comprising the Airport's snow removal fleet, general maintenance and Aircraft Rescue and Firefighting (ARFF). For the period FY2008-2014 (Budget), motor fuel outlays increased 11 percent per year averaging $32,320 per year and constituting 4 percent of all Airport expenses.

6.6.8. Summary of Historical Total Airport Expense

As depicted in Table 6-5, Airport expenditures remained relatively unchanged increasing from $790,353 in FY2008 to $802,500. The ability of the City to achieve this relatively low level of expenditure growth during this period is attributed to:

- Wages, Salaries and Benefits increasing at levels significantly below other comparable facilities
- Absorbing significant increases in the cost of fuel, natural gas and snow removal supplies
- The City continuing to not assess STC the cost of Aircraft Rescue and Firefighting (ARFF) services
- Incurring Utility rate increases while at the same time bringing on-line an expanded air carrier terminal facility

- Experiencing premium increases for insurance policies and adjusting deductible levels to moderate these rate changes
- Increasing efforts to attract new air carrier service to the region.

6.7. Projected Operating Expenses

Estimates of the Airport's future operating expenses were developed based on historical trends from FY2008 through FY2012; estimated totals for FY2013 and the City's 2014 adopted budget. **Table 6-6** presents estimated expenses for FY2013 and the adopted 2014 budget as well as projected expenses for the period from FY2015 through FY2018, the end of the short-term planning period for the Airport's CIP. It is expected during this period, expenses will increase at a compounded annual growth rate of 3 percent from $825,135 in FY2015 to $900,781 in FY2018. Future salary and benefit expenditures are expected to be greatly impacted by increases in overtime, health insurance premiums and retirement plan contributions resulting in this category of costs increasing from $425,524 in FY2015 to $453,047 in FY2018, representing a compounded annual increase of 2 percent. Although the Airport achieved minimal growth in these costs over the past seven years, this trend is not believed to be sustainable given ongoing increases for medical insurance and retirement plan contributions as well as evolving pressures for the Airport to absorb increasing overtime expenditures due to the limited number of staff available for general maintenance and snow removal operations. All remaining categories of expenditures are assumed to continue to track consistent with historical trends experienced for the period FY2008-14 as follows:

- Electric & Gas Utilities 4 percent per year
- Supplies & Materials 2 percent per year
- Contractual Services 3 percent per year
- Insurance 4 percent per year

In addition, it is assumed the City continues to absorb all costs of ARFF services and does not charge STC during this period and the Greater St. Cloud Development Corporation funds air service development and marketing initiatives for STC.

Table 6-6. Projected Airport Operating Expenses

	Estimate	Budget	Projected			
	2013	2014	2015	2016	2017	2018
OPERATING EXPENSES						
Regular Salaries & Wages	$230,600	$246,300	$251,226	$256,251	$261,376	$266,603
Overtime	15,553	25,000	25,500	26,010	26,530	27,061
Temporary Employees Regular	5,804	25,000	25,500	26,010	26,530	27,061
Longevity & Sick Leave Pay	6,191	9,100	10,010	11,011	12,112	13,323
FICA	18,600	19,750	19,948	20,147	20,348	20,552
PERA Coordinated	17,000	18,100	18,281	18,464	18,648	18,835
Employer Paid Insurance	70,700	72,300	73,746	75,221	76,725	78,260
Unemployment Benefit Payments	128	-	-	-	-	-
WC Insurance	1,908	1,300	1,313	1,326	1,339	1,353
SubTotal: Salaries, Wages & Benefits	***$366,485***	***$416,850***	***$425,524***	***$434,439***	***$443,610***	***$453,047***
Communications	17,000	17,000	17,340	17,687	18,041	18,401
Electric & Other Utilities	92,632	82,600	85,078	87,630	90,259	92,967
Natural Gas Utilities	32,930	44,000	47,080	50,376	53,902	57,675
Office & Operating Supplies	5,401	8,800	9,064	9,336	9,616	9,904
Motor Fuel	29,867	42,000	45,780	49,900	54,391	59,286
Chemicals	1,537	2,000	2,180	2,376	2,590	2,823
Uniforms & Clothing	438	500	515	530	546	563
Repair & Maintenance Supplies	55,645	43,000	43,860	44,737	45,632	46,545
Furniture & Office Equipment	-	-	-	-	-	-
Machinery & Equipment	-	-	-	-	-	-
Repairs & Maintenance Services	45,332	44,700	45,147	45,598	46,054	46,515
Professional Services Operating	78,818	50,000	51,500	53,045	54,636	56,275
Rental	1,135	1,500	1,530	1,561	1,592	1,624
Insurance	29,938	27,000	28,080	29,203	30,371	31,586
Financial Fees & Charges	-	1,500	1,545	1,591	1,639	1,688
Training	-	10,000	10,100	10,201	10,303	10,406
Publishing & Advertising	10,116	-	-	-	-	-
Long Term Obligations	52	-	-	-	-	-
Short-Term Debt Interest	780	-	-	-	-	-
Other	6,692	10,600	10,812	11,028	11,249	11,474
SubTotal: Non-Personnel Expenses	***$408,313***	***$385,200***	***$399,611***	***$414,801***	***$430,822***	***$447,733***
Total Operating Expenses	***$774,798***	***$802,050***	***$825,135***	***$849,240***	***$874,432***	***$900,781***

Prepared by: Delta Airport Consultants, Inc., October 2013

6.8. Cash Flow Analysis

Table 6-7 provides a summary of cash flow from airport activities for the period FY2008-2014 (Budget). For purposes of this analysis, operating expenses are subtracted from Airport revenues to provide available net revenue. As shown in Table 6-7, the Airport witnessed a net operating loss of $86,317 for this period. FY2010 yielded the greatest operating loss for STC due to the withdrawal of Mesaba scheduled passenger service thereby requiring greater annual allocations from the City's personal property taxes to support airport operations. In 2011, STC returned to a breakeven situation in terms of its financial position and the ensuing years have generated positive cash flow; however, not at a level sufficient to offset the losses experienced between FY2008-10.

Table 6-7. Historical Airport Operating Cashflow

	Historical					Estimate	Budget	CAGR
	2008	2009	2010	2011	2012	2013	2014	FY08-FY14
TOTAL OPERATING REVENUE	**$757,382**	**$703,554**	**$649,210**	**$722,949**	**$766,991**	**$767,182**	**$829,000**	2%
TOTAL EXPENSES	**$790,353**	**$741,366**	**$790,672**	**$721,129**	**$679,573**	**$774,798**	**$802,050**	0%
	- $32,971	**- $37,812**	**- $141,462**	**$1,820**	**$87,418**	**- $7,616**	**$26,950**	**- $123,007**

Source: FAA:AAS-400 CATS: Report 127 (FY2008-2012) & City of St. Cloud, MN

Projected cash flows anticipate STC having the capacity to sustain a breakeven situation (**Table 6-8**) although additional local tax revenues are required to achieve these results. With Allegiant's service in the market coupled with the reinstatement of daily service to a major mid-west hub it is reasonable to conclude that more positive financial outcomes are attainable going forward.

Table 6-8. Projected Airport Operating Cashflow

	Estimate	Budget	Projected				CAGR
	2013	2014	2015	2016	2017	2018	FY15-FY18
TOTAL OPERATING REVENUE	**$767,182**	**$829,000**	**$825,135**	**$849,239**	**$874,432**	**$900,781**	3%
TOTAL EXPENSES	**$774,798**	**$802,050**	**$825,135**	**$849,240**	**$874,432**	**$900,781**	3%
	-$7,616	**$26,950**	**$0**	**$0**	**$0**	**$0**	**$0**

Prepared by: Delta Airport Consultants, Inc., October 2013

6.9. Conclusion

Based on the analysis presented in herein, including the underlying assumptions under which it was made, the short-term CIP recommended for STC is expected to be both feasible and implementable. As the Airport commences work on implementing the recommended capital improvement program contained in this analysis, it should remain focused on its cost containment measures, increasing non-airline revenue sources of funding including rental car concession operations, and decrease its reliance on City of St. Cloud tax revenues to support its operations. Attainment of daily service to a major mid-western airline hub should also bolster the Airport's financial position through additional landing fees and terminal building rents. In the end, it is imperative that STC strive to continue to provide an economical and sustainable platform for airlines and other key tenants to operate and prosper in order to fulfill its mission.