

# AIRPORT FUND

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## Description

In March 1941 construction started for the airport at its present site. After Pearl Harbor, the airport, known as Pinellas Army Airfield, was used as a military flight-training base. After WWII, many army airfields were declared surplus and turned over to cities, counties, and state sponsors to manage. The Pinellas Army Airfield property was granted to Pinellas County by the U.S. Government to operate as a commercial airport. It was originally called the Pinellas International Airport, and given the airport call letters, PIE.

The Airport Revenue and Operating Fund is used to account for the self-supporting operations of St. Petersburg - Clearwater International Airport and its surrounding land uses on the airport's 2,000 acres. Approximately half of this property is dedicated to the airfield and supporting terminal and other facilities. The remaining acreage includes the 129 acre planned development site (former golf course), a 200 acre Airport Business Center, and leased industrial, commercial, and governmental operations. All of the entire Airport property is a designated Foreign Trade Zone. All activities necessary for Airport operations (e.g. administration, operating and maintenance expense) are included in this fund. Also included are airport facility capital improvements, which receive federal and state grant funding of up to 95% of costs, depending on the type of project, with some projects funded 100% when Passenger Facility Charges are included.

In recognition of the quality of operations and innovative and efficient management, the Florida Department of Transportation recognized St. Petersburg - Clearwater International Airport as the 2010 Commercial Service Airport of the Year. In 2011, Allegiant Airlines recognized the Airport's terminal renovation project as their system's airport construction project of the year.

## Summary

The Airport Operating and Revenue Fund is an enterprise fund that accounts for revenues and expenditures at St. Petersburg - Clearwater International Airport. This includes management of airport properties in addition to airfield operations. The airport is self-supporting, and no property tax dollars are used to support the operation of the airport.

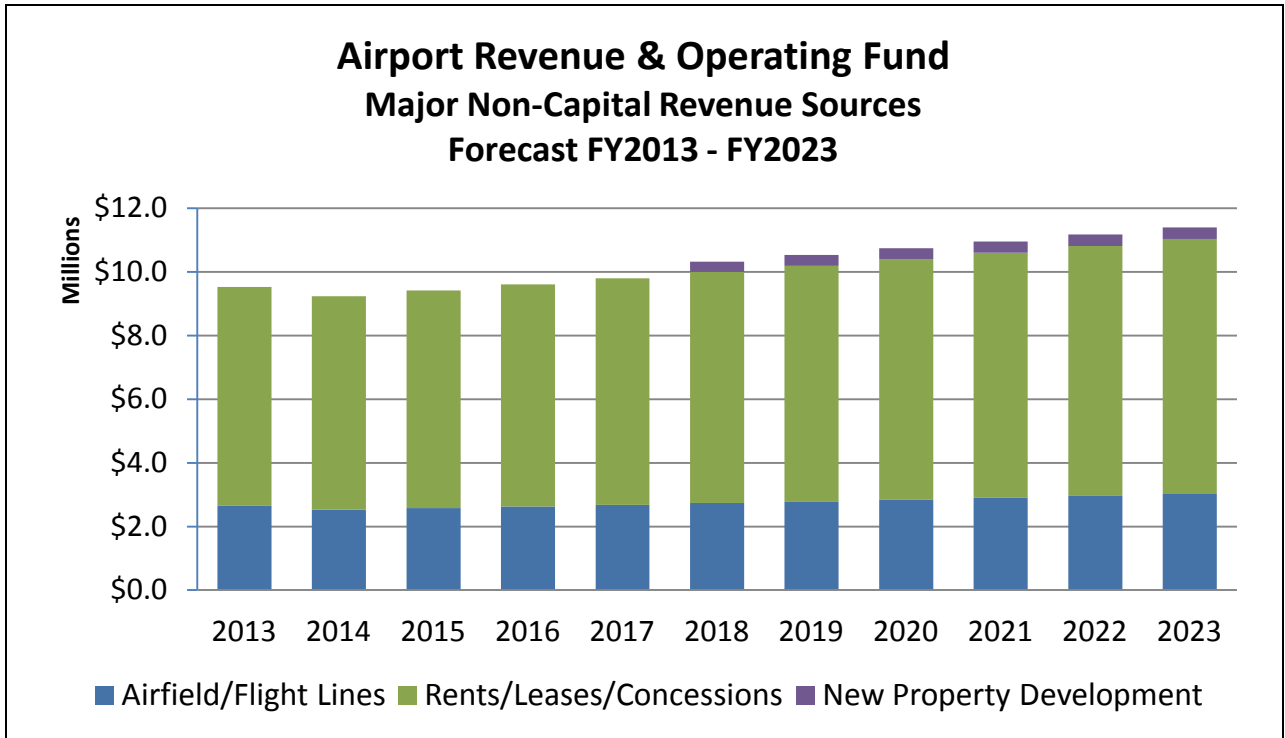
Airport revenues have remained stable in recent years due to the rental/lease terms and Allegiant Airlines' popularity. Revenues are forecast to increase gradually during the forecast period matching anticipated gradual growth as part of the recovery in the broader U.S. economy. The ability to forecast the availability of capital contributions and other grant funding after FY2018 is limited.

The forecast for the Airport Revenue and Operating Fund shows that the fund is balanced through the forecast period, based on the assumptions that the capital projects budget would be adjusted to reflect the timing and amounts of any grants revenue and that the airport's operating budget would be adjusted to match revenues.

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## Revenues

Excluding capital contributions and grants, the two major funding sources supporting the Airport Revenue and Operating Fund during the forecast period are Rentals/Leases/Concession income and Airfield/Flight Line Fees.



### ***Rentals/Leases/Concessions***

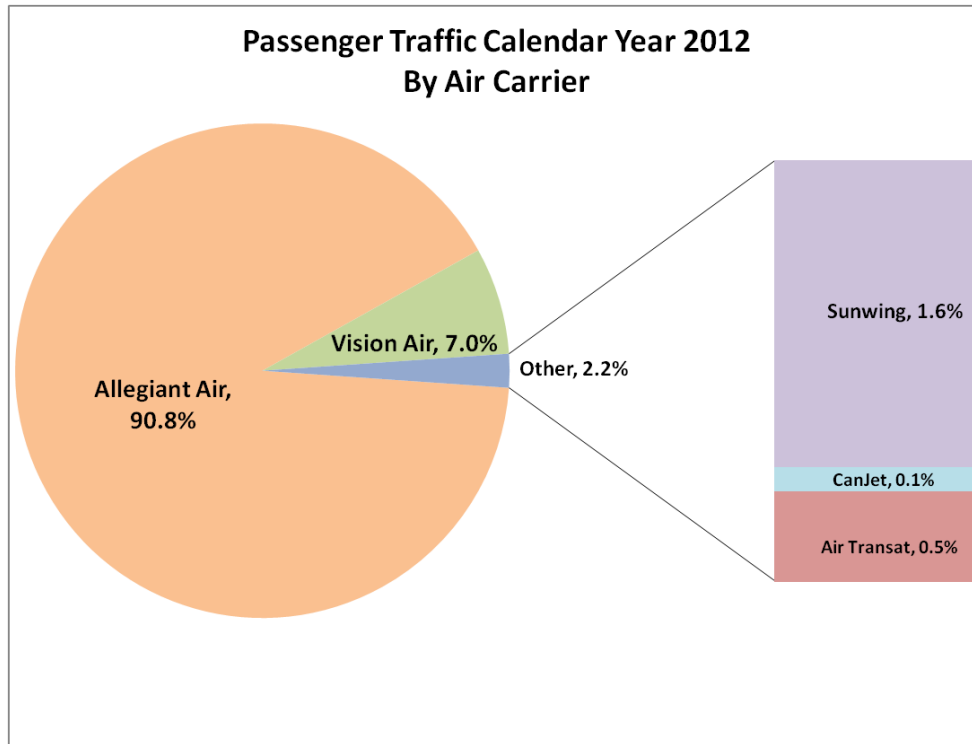
St. Petersburg-Clearwater International Airport, which is classified as small-hub airport by the FAA, provides commercial and private aviation services for the community. The Airport also has a significant amount of land which is leased under long-term leases providing a stable source of revenues. Pinellas County Criminal and Juvenile Courts, Cracker Barrel Restaurant, Dynamet Inc., and GE Aviation Systems are just a few examples of long term leases at the airport. Forty-five percent (45%) of the long-term industrial (non-aviation) land leases are with Pinellas County. Also included in this revenue source are concessions operating at airport terminal, such as the paid parking, car rentals, gift shop and restaurant. These revenue sources are expected to increase by 2% over the 10 year forecast. Long-term leases have a five year adjustment based on the CPI.

### ***Airfield/Flight Line***

Airfield fees are charges for the use of the runways and taxiways. Flight Line leases are for aircraft parking areas and maintenance hangars. These revenue sources are expected to increase by 2% over the 10 year forecast.

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The following chart for passenger traffic in 2012 shows that Allegiant Airlines represents 90.8% of the passengers served on commercial carriers from St. Petersburg-Clearwater International Airport. Revenues from Terminal concession leases, along with airline landing fees and fuel flowage fees, are dependent on passenger airline service. For the first 5 months of 2013, passenger traffic has increased 11.0% over the same period in 2012.



## ***Capital Contributions and Grants***

Capital Contributions funding is in the form of grants from the Federal Aviation Administration (FAA), the Florida Department of Transportation (FDOT), along with Passenger Facility Charges (PFCs). These are the revenue sources typically used for the Airport's capital project funding. There are also occasions when Airport Reserves are used to assist with funding of CIP Projects.

## ***Other Revenues***

AIRCO Golf Course, which had been operating on airport property, closed in FY2011 due to significant annual operating losses at the course. In FY2010 the course lost \$216,000 and in FY2011 it lost \$139,000. As a result of closing the course, the Airport's profitability has increased. Revenue from new development on this property is not expected to be produced until FY2018.

## **Expenditures**

The Airport Revenue and Operating Fund supports budgeted expenditures and reserves in FY2014 totaling \$33.6M of which \$8.9M is allocated for capital projects and \$15.0M is reserves.

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## ***Airport Programs***

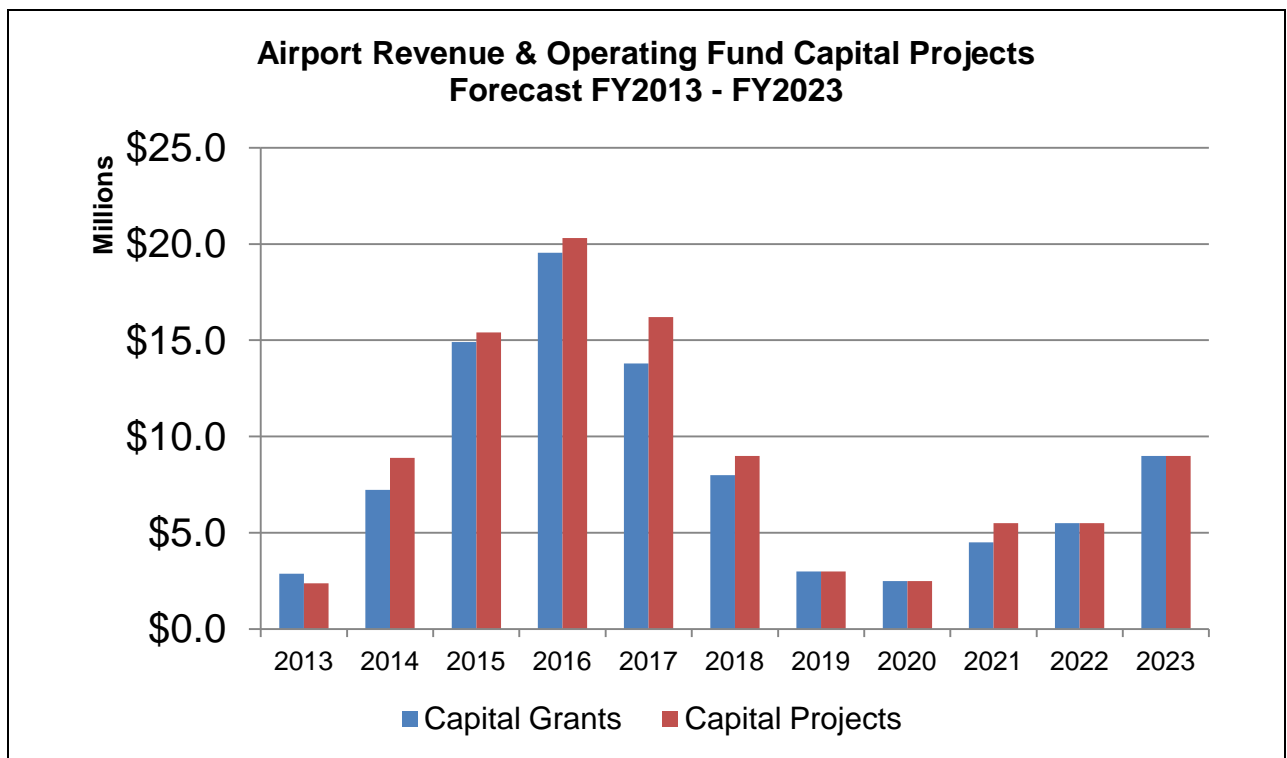
Of the remaining \$9.7M in operating expenditures, 86.3% supports the Aviation Services program and 13.7% the Airport Real Estate program. The Aviation Services program consists of all facets of day-to-day aviation activities. The Airport Real Estate program oversees and negotiates leases with tenants and future development of the Airport to ensure compliance with Federal Aviation Administration lease requirements.

## ***Personal Services***

Personal Services expenses are for the salaries and benefits of the 55 positions needed to operate both programs at the Airport. Budgeted Personal Services expenditures in FY2014 total \$4.4M.

## ***Capital Projects***

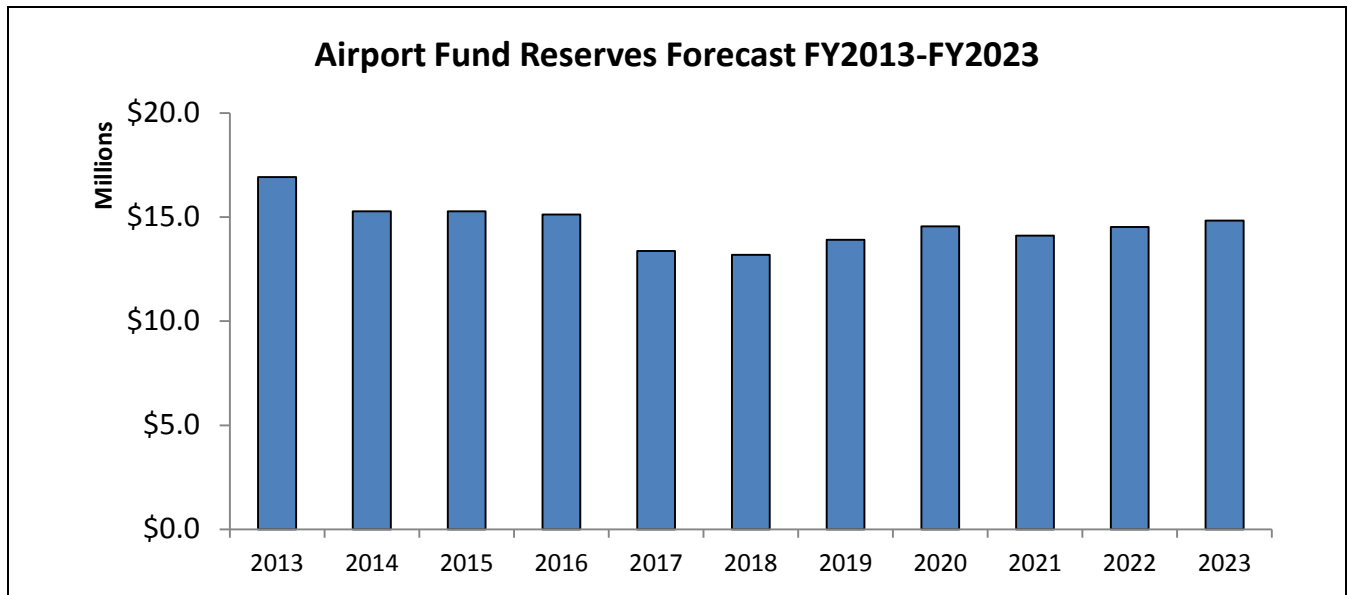
The FY2014 estimate for Capital Projects is \$8.9M. These projects receive funding in the form of grants from the Federal Aviation Administration and the Florida Department of Transportation. These projects will only commence when the appropriate grants funding is made available. The following chart shows the relationship between the scheduling of the revenues and the expenditures of capital projects. When additional funds are needed Reserves could be used. Preliminary planned improvements in future years include new T-hangars in FY2018 and cargo apron construction in FY2023.



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## **Reserves**

The total reserve level in the Airport Revenue and Operating fund is budgeted at \$15.0M (44.7%) in FY2014. This reserve level is the result of the Airport building reserves over the past several years. The reserves are then available in the event of unanticipated revenue shortfalls and, as well as, support future capital funding needs. When expenditures in a given year are shown as exceeding revenues, the difference is supported by drawing down accumulated reserves; including Passenger Facility Charges which must be used for capital projects (See the Reserves chart below). Airport Reserves also include the projected cost of Other Post Employment Benefits (OPEB), as proprietary funds are required by GASB #45 to record the entire annual required contribution (ARC) accrual on the financial statements.



## **Ten-Year Forecast**

### **Key Assumptions**

The revenue forecasts of funding total resources are conservative due to the current economic conditions.

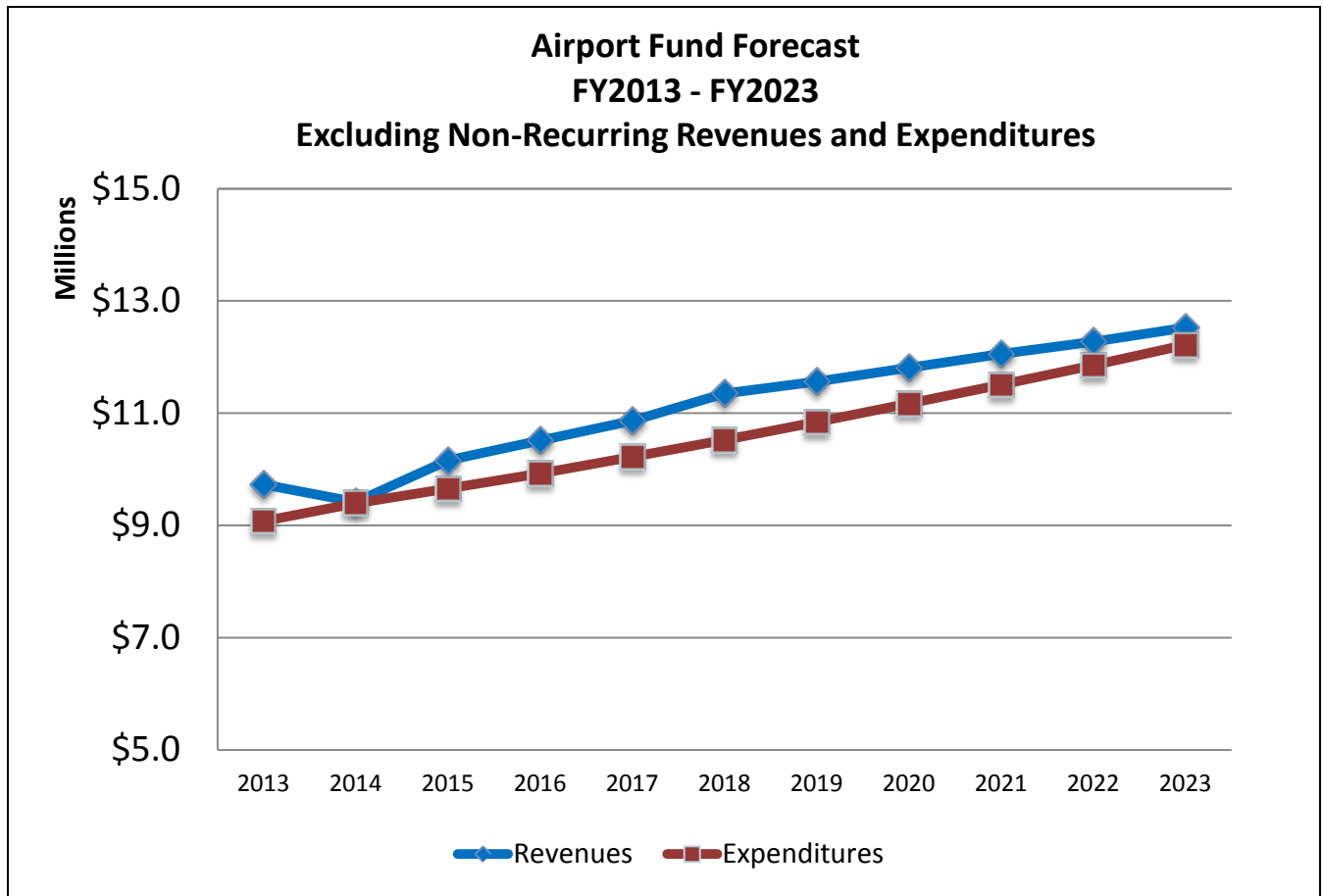
Airfield/Flight Line revenue for FY2014 is based on the current level of carriers and passenger numbers. For FY2015 through FY2023, an increase of 2% per fiscal year is forecast. The forecast is conservative, as no new carriers have been included.

Rent/Leases/Concessions revenue for FY2014 is based on current leases/agreements through the termination of these lease agreements. For FY2015 through FY2023, an increase of 2% is forecasted for each fiscal year.

No new revenue from commercial or industrial development on the former golf course acreage is projected in the forecast until FY2018. However, new property development will depend on

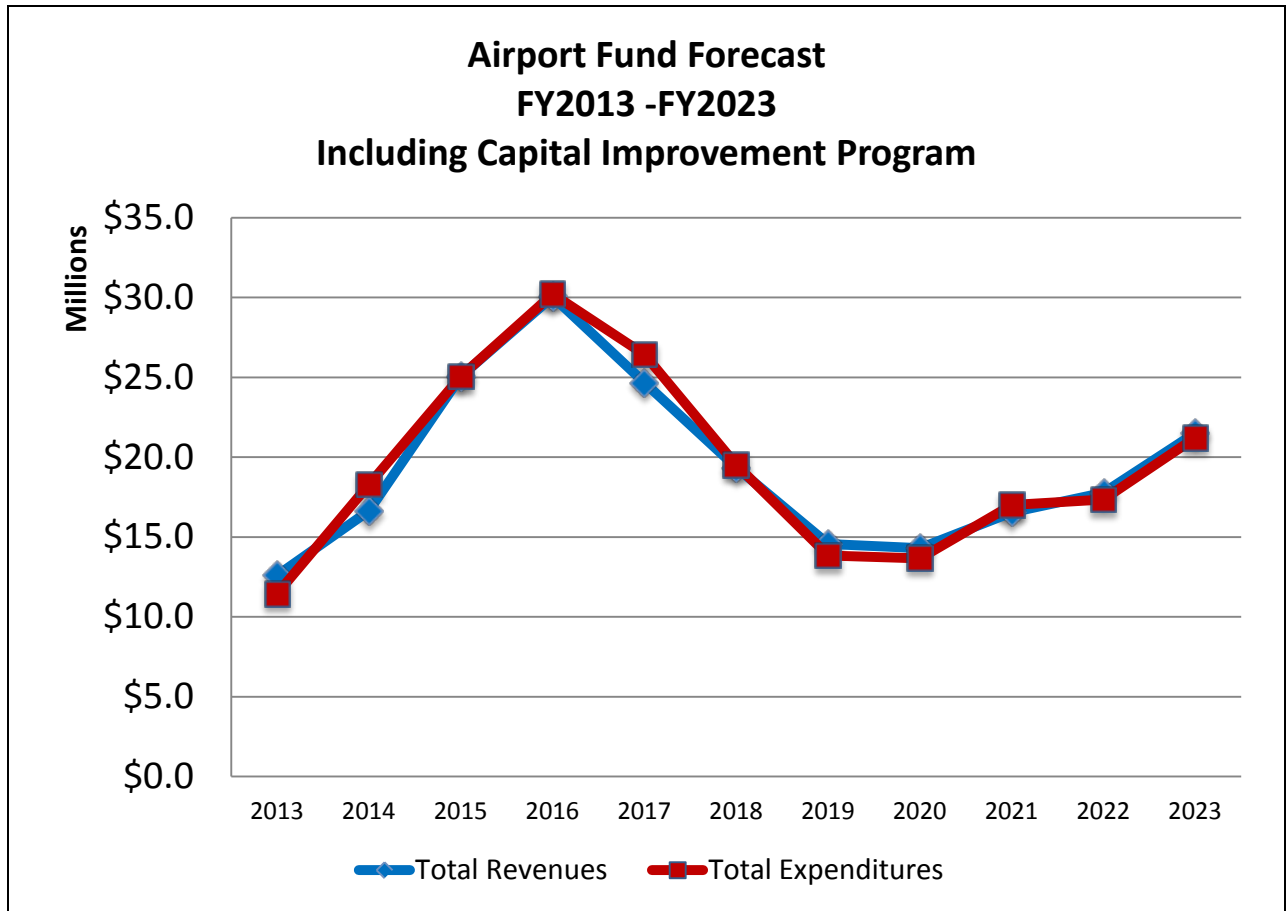
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factors such as site restrictions and future economic conditions. The chart below shows that the net of recurring revenues and recurring expenditures is positive through the forecast period.



With the addition of the Capital expenditures and revenues, the chart below tracks the estimated revenues and expenditures in the fund through the forecast period

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## Key Results

The forecast for the Airport Fund is balanced over the forecast period.

The fluctuation in total revenues and expenditures is caused by the timing of capital projects. Capital project impact to both revenues and expenditures is fund neutral, since the projects are dependent on the availability of grants. If the grants are not forthcoming, the projects are not started.

## Potential Risks

Several items can alter the ten-year forecast of Airport revenue collections. A primary concern is the strength of the airline industry and the continued success of Allegiant Airlines. Revenues could increase if the airport can attract new passengers and other carrier services. Increases in rental/leases income would result when current leases and agreements are renewed and rate formula escalations occur.

The former AIRCO Golf Course has been rezoned for future aviation and commercial development. The potential lease income value of this parcel is approximately \$1.5M annually when all land is fully leased. In addition, other vacant land parcels could add another \$100K to \$300K in annual lease income if fully leased.

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Also, this forecast does not add any new passenger service. An increase of 250,000 new airline passengers could provide over \$1M in additional income without a significant increase in operating expenses.

### **Balancing Strategies**

The forecast does not show any structural gaps in revenues and expenditures as the fund is balanced through the forecast period assuming that the operating and capital budget would be adjusted in step with revenues.



**AIRPORT FUND FORECAST**  
**Fund 4001**

Forecast Assumptions	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>REVENUES</b>										
Airfield/Flight Lines	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Golf Course	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Rents/Leases/Concessions	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Capital Contributions	151.8%	106.1%	31.2%	-29.4%	-42.0%	-62.5%	-16.7%	80.0%	22.2%	63.6%
Other revenues	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
<b>EXPENDITURES</b>										
Personal Services	4.1%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Operating Expenses	1.5%	1.8%	1.7%	2.0%	1.9%	2.1%	2.0%	2.0%	2.0%	2.0%
Capital Outlay	1.5%	1.8%	1.7%	2.0%	1.9%	2.1%	2.0%	2.0%	2.0%	2.0%
Grants & Aids	1.5%	1.8%	1.7%	2.0%	1.9%	2.1%	2.0%	2.0%	2.0%	2.0%
<b>Projected Economic Conditions / Indicators:</b>										
Consumer Price Index, % change	1.5%	1.8%	1.7%	2.0%	1.9%	2.1%	2.0%	2.0%	2.0%	2.0%
FL Per Capita Personal Income Growth	2.0%	2.2%	2.2%	1.8%	1.4%	1.5%	1.7%	1.6%	1.6%	1.6%

# AIRPORT FUND FORECAST

## Fund 4001

(in \$ thousands)

(in \$ thousands)	FORECAST												
	Actual 2012	Budget 2013	Estimated 2013	Estimated 2014	Estimated 2015	Estimated 2016	Estimated 2017	Estimated 2018	Estimated 2019	Estimated 2020	Estimated 2021	Estimated 2022	Estimated 2023
BEGINNING FUND BALANCE	14,635.0	13,690.9	15,775.6	16,922.6	15,280.2	15,284.5	15,123.5	13,368.3	13,197.5	13,919.5	14,559.8	14,109.5	14,529.2
REVENUES													
Airfield/Flight Lines	2,577.6	2,545.2	2,652.0	2,527.8	2,578.4	2,629.9	2,682.5	2,736.2	2,790.9	2,846.7	2,903.6	2,961.7	3,021.0
Rents/Leases/Concessions	7,142.5	6,153.0	6,881.0	6,707.4	6,841.5	6,978.4	7,117.9	7,260.3	7,405.5	7,553.6	7,704.7	7,858.8	8,016.0
New Property Development	-	-	-	-	-	-	-	330.0	336.6	343.3	350.2	357.2	364.3
Grants	275.4	265.0	97.6	87.6	89.4	91.1	93.0	94.8	96.7	98.7	100.6	102.6	104.7
Capital Contributions	8,889.3	10,164.2	2,870.8	7,229.5	14,900.0	19,550.0	13,800.0	8,000.0	3,000.0	2,500.0	4,500.0	5,500.0	9,000.0
Interest	74.3	88.9	93.6	88.9	152.8	305.7	453.7	401.0	395.9	417.6	436.8	423.3	435.9
Other revenues	28.8	1.8	6.0	1.9	1.9	2.0	2.0	2.1	2.1	2.1	2.2	2.2	2.3
Adj. Operating Revenue to 100%					495.8	505.7	515.8	526.1	536.7	547.4	558.3	569.5	580.9
TOTAL REVENUES	18,987.9	19,218.1	12,601.0	16,643.1	25,059.8	30,062.8	24,665.0	19,350.5	14,564.4	14,309.4	16,556.5	17,775.4	21,525.0
	44%		-34%	32%	51%	20%	-18%	-22%	-25%	-2%	16%	7%	21%
TOTAL RESOURCES	33,622.9	32,909.0	28,376.5	33,565.7	40,340.0	45,347.3	39,788.5	32,718.9	27,761.9	28,228.9	31,116.2	31,884.8	36,054.2
EXPENDITURES													
Personal Services	4,194.0	4,325.0	4,247.2	4,431.9	4,609.2	4,793.5	4,985.3	5,184.7	5,392.1	5,607.8	5,832.1	6,065.4	6,308.0
Operating Expenses	3,454.1	4,239.4	4,194.6	4,636.5	4,720.0	4,800.2	4,896.2	4,989.2	5,094.0	5,195.9	5,299.8	5,405.8	5,513.9
Capital Outlay	266.5	145.1	123.5	135.0	137.4	139.8	142.6	145.3	148.3	151.3	154.3	157.4	160.5
Full Cost Allocation	455.2	511.1	511.1	468.2	472.9	482.3	496.8	511.7	527.1	542.9	559.2	575.9	593.2
Non-recurring CIP expenditures	9,459.4	12,360.0	2,377.5	8,890.0	15,400.0	20,300.0	16,200.0	9,000.0	3,000.0	2,500.0	5,500.0	5,500.0	9,000.0
Expenditure Lapse 3% **	-	-	(276.1)	(284.0)	(284.0)	(292.0)	(300.7)	(309.6)	(319.0)	(328.6)	(338.6)	(348.9)	(359.5)
TOTAL EXPENDITURES	17,829.2	21,580.6	11,453.9	18,285.5	25,055.4	30,223.8	26,420.1	19,521.3	13,842.4	13,669.2	17,006.8	17,355.6	21,216.2
	48%		-36%	60%	37%	21%	-13%	-26%	-29%	-1%	24%	2%	22%
ENDING FUND BALANCE ASSUMING NO ACTION TAKEN TO RESOLVE SHORTFALLS	15,793.7	11,328.4	16,922.6	15,280.2	15,284.5	15,123.5	13,368.3	13,197.5	13,919.5	14,559.8	14,109.5	14,529.2	14,838.0
Ending balance as % of Resources	47%	34%	60%	46%	38%	33%	34%	40%	50%	52%	45%	46%	41%
TOTAL REQUIREMENTS	33,622.9	32,909.0	28,376.5	33,565.7	40,340.0	45,347.3	39,788.5	32,718.9	27,761.9	28,228.9	31,116.2	31,884.8	36,054.2
REVENUE minus EXPENDITURES	1,158.7	(2,362.5)	1,147.1	(1,642.4)	4.3	(161.0)	(1,755.2)	(170.8)	722.0	640.3	(450.3)	419.7	308.8
note: non-recurring CIP expenditures	9,459.4	12,360.0	2,377.5	8,890.0	15,400.0	20,300.0	16,200.0	9,000.0	3,000.0	2,500.0	5,500.0	5,500.0	9,000.0
non-recurring rev(capital contrib)	(8,889.3)	(10,164.2)	(2,870.8)	(7,229.5)	(14,900.0)	(19,550.0)	(13,800.0)	(8,000.0)	(3,000.0)	(2,500.0)	(4,500.0)	(5,500.0)	(9,000.0)
net recurring rev- exp	1,728.8	(166.7)	653.8	18.1	504.3	589.0	644.8	829.2	722.0	640.3	549.7	419.7	308.8

\* Operating Expenses net of Full Cost Allocation

\*\* Expenditure lapse is calculated on Personal Services, Operating Expenses, Capital Outlay, and Grants & Aids only.  
FY11 lapse is used to adjust for updated information.