

Chapter

9

FINANCIAL PLAN

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*for the Airport Master Plan
at Grand Canyon West Airport*

9.0 GENERAL

The ultimate goal of any airport should be the capability to support its own operation and development through airport user fees. Unfortunately, few general aviation airports the size of Grand Canyon West are able to do this. For example, an airport cannot break even when the fees received from hangar rentals will not adequately amortize the cost of construction. This is the case all too frequently, and it therefore comes as no surprise when communities complain about the high costs of maintaining their airport's operation. Even by increasing fees, these airports might not reach the break even point. Yet the effort to become self-sufficient will certainly gain a more positive attitude by the community towards airfield development interests.

One point that should be brought up at this time, however, is the fact that while most general aviation airports the size of Grand Canyon West Airport are not self-sustaining, the intrinsic value that a well-maintained airport brings to a community or region goes far beyond the day-to-day operational costs of that airport. In other words, the money spent in the community or region by individuals or businesses which use the airport exceeds the expenses which are a result of operations at the airport.

In the case of the Grand Canyon West Airport, the additional revenues generated as a result of increased tour company aircraft operations (and increased tourists to the Grand Canyon West site) are expected to exceed the operating costs of the airport, and offers the unique opportunity to recover the proposed capital investment in a relatively short time period. Historical revenues and expenses are shown in Table IX-1.

**TABLE IX-1
GRAND CANYON WEST REVENUE AND EXPENSES**

	1995	1996
Visitors by Air Transportation	20,669	7,627
Visitors by Ground Transportation	63,863	60,712
Total Visitors	84,532	68,339
Gross Revenues	\$2,600,000	\$2,700,000
Total Expenses	\$1,700,000	\$1,600,000
Net Revenues	\$900,000	\$1,100,000
Net Revenue per Visitor	\$10.64	\$16.10

Source: Hualapai Enterprise Accounting Department

The number of visitors necessary to recover a capital investment of \$1,275,000, assuming \$16.10 net revenue per visitor, is 79,192 visitors. With the improvements to the airport, air transportation visitor counts are expected to recover to at least the 1995 levels, and will likely be even higher, resulting in approximately 85,000 total visitors in the year following the improvements. Therefore, the capital investment could be recovered in a one year operating period.

9.1 FEDERAL GRANT ASSISTANCE

The Airport and Airways Assistance Act of 1982 created and authorized the Airport Improvement Program (AIP) to assist in the development of a nationwide system of public-use airports adequate to meet the current projected growth of civil aviation. The Act provides funding for airport planning and development projects at airports included in the National Plan of Integrated Airport Systems (NPIAS). In the State of Arizona, the FAA participates with grants of up to 91.06 percent of total project costs for eligible projects. Typical eligible projects include planning studies, airside (runways, taxiways, and aprons) construction, expansion, and rehabilitation, airport lighting, visual aids, construction of access roads, and airport rescue and fire fighting equipment (ARFF) acquisition to name a few.

While the paving of the existing runway and apron at Grand Canyon West Airport would normally be eligible for FAA funding, grant assurances are required which stipulate the intent to operate the airport for a minimum of twenty (20) years from the date of acceptance of the grant offer of Federal Funds (FAA Order 5100.38A, Appendix 1, "AIP Handbook"). The intent of the proposed airport developments at Grand Canyon West Airport are to operate at the existing site for the short term period (approximately 5-8 years) then relocate the airport to an alternate site for long term development (20+ years); therefore, the proposed developments at the existing site are not eligible for Federal funding under the Airport Improvement Program.

9.2 STATE ASSISTANCE

The Arizona Department of Transportation's (ADOT) Aeronautics Division does not currently participate in funding airport development on Indian Reservations. The Hualapai Tribe should pursue the enactment of legislation that would eliminate this restriction, and allow the State to participate in the funding of development and maintenance projects on Indian Reservations. For airports in the State that are eligible for ADOT grants, ADOT normally contributes 4.47 percent to the FAA's 91.06 percent funding of Federally eligible capital improvement projects, resulting in a local share of 4.47 percent. For maintenance projects in which the FAA does not participate, ADOT normally contributes 95 percent of the total project cost resulting in a 5 percent local share. This is a significant source of funding which is currently unavailable to the Tribe.

9.3 FINANCING THE LOCAL SHARE

The airport sponsor has several methods available for financing the capital required to meet the needed airport development costs. The most common methods involve debt financing which amortize the debt over the useful life of the project. Methods of debt financing, as well as the alternative of third party support, are discussed below.

9.3.1 Revenue Bonds

Revenue Bonds are payable solely from the revenues of a particular project or from operating income of the borrowing agency, such as the Tribe which lacks taxing power. Generally, they fall outside of constitutional and statutory limitations, and in many cases do not require voter approval. Because of the limitations on the other public bonds, airport sponsors are increasingly turning to revenue bonds whenever possible. The potential for increased revenues as a result of the improvements to the airport may make this option attractive to potential investors.

9.3.2 Bank Financing

Some airport sponsors use bank financing as a means of funding airport development. Generally, two conditions are required. First, the airport must show the ability to repay the loan plus interest, and second, capital improvements must be less than the value of the present facility. These are standard conditions which are applied to almost all bank loan transactions.

9.3.3 Third-Party Support

Several types of funding fall into this category. For example, individuals or interested organizations may contribute portions of the required development funds (Air Tour Operators, Developers of the Resort Complex, etc.). Although not a common means of airport financing, the role of private financial contributions not only increases the financial support of the project, but also

stimulates additional marketing of the airport and its services. Third-party support will likely result in decreased net revenues from discounts or percentages of gross revenues that are returned to the third-party investors for their initial contribution.

9.3.4 Community Support

While it would certainly be advantageous for an airport to support itself, the indirect and intangible benefits of the airport to the community's economy and growth must be considered. Additional Tribal members will be directly or indirectly employed on the airport. As airport activity increases, it is possible that employment on the airport will also grow throughout the planning period. The local construction industry will also benefit directly from implementation of the development programs. Other benefits involve the growth of the resort complex that will be enhanced by the availability of an airport.

9.4 CONTINUOUS PLANNING PROCESS

The successful implementation of the Grand Canyon West Master Plan will require sound judgement on the part of the airport sponsor. Among the more important factors influencing the sponsor's decisions to carry out a recommendation are timing and airport activity. Both of these factors can be used as references in plan implementation. While it was necessary for scheduling and budgeting purposes to focus on the timing of airport development, the actual need for facilities is in fact established by levels of activity. Proper master plan implementation suggests the use of airport activity rather than time as guidance in development and scheduling.

Airport planning is a *CONTINUOUS PROCESS* that does not end with the completion of a major project. The continuous planning process requires the Hualapai Tribe to consistently monitor the progress of the airport in terms of growth in annual operations, type of aircraft, and passenger enplanements, because this growth is critical to the exact timing and need for new airport facilities. The information obtained from this monitoring process will provide the data necessary to determine if the development schedule should be accelerated, decelerated, or maintained as scheduled.