

## E. Implementation

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### Introduction

The long-term development program or Capital Improvement Program (CIP) for Pueblo Memorial Airport (PUB) is intended to establish a strategy to fund airport improvements and maximize the potential to receive federal and state grant funds. It also establishes a financially prudent plan for improvement funding on a local level. This programming effort is a critical component of the Airport Master Plan for the Federal Aviation Administration (FAA), the Colorado Department of Transportation (CDOT) Division of Aeronautics, and the local sponsor (the City of Pueblo). The CIP identifies improvement needs and allows budgeting/financial decisions to be made with a comprehensive understanding of financial implications. Although the CIP will be used for preliminary programming by the FAA and CDOT Division of Aeronautics, this analysis does not guarantee any financial commitment from the federal government, the state, or the sponsor to provide funding for the CIP.

The CIP provides guidance for continued maintenance, upgrade, and expansion of PUB facilities in a fiscally responsible manner and with realistic local financial capabilities. This chapter is prepared using guidance from FAA Order 5100.38D, *AIP Handbook*, and FAA Order 5100.39A, *Airport Improvements Plan*, and contains the following sections:

- **Capital Improvement Approach**
- **Cost Estimates and Project Phasing**
- **Funding Sources**
- **Financial Plan**
- **Summary.**

## Capital Improvement Approach

The CIP identifies the overall airport development objectives, individual project costs, and anticipated funding by planning phases: Phase I (1-5 years), Phase II (6-10 years), and Phase III (11-20 years). The CIP projects are based on the needs identified in **Chapter C – Facility Requirements**, the most recent approved CIP, and planning and pavement maintenance projects. The following considerations influenced the project priority approach:

- **Ability to meet user demand**
- **Ability to enhance efficiency and meet FAA design standards**
- **Ability to repair and upgrade facilities reaching the end of useful life.**

Projects also considered PUB preference and ability to facilitate an orderly sequence of improvements while taking into consideration economic and environmental factors. Projects are sequenced with regard to strategic vision, forecast demand triggers, and funding considerations. Phase I projects are sequenced in year-by-year format, Phase II, and Phase III projects are identified in priority order without year distinction.

Most projects identified in the CIP are eligible for FAA funding according to the AIP Handbook and PUB will pursue funding through the FAA AIP grant-in-aid program. It is anticipated that these projects will be funded mainly through AIP funds with a match from PUB. However, not all projects identified in the CIP are eligible for AIP funding. They are a necessary contribution to the quality and overall development potential of PUB. They can be funded through multiple sources such as the city, the state, other governmental agencies, public-private partnerships, or private entities. PUB will participate in both AIP eligible and non-eligible projects.

## Cost Estimates and Project Phasing

### Cost Estimates

Cost estimates, based on current construction unit costs, have been prepared so PUB and the FAA can allocate financial resources for the improvement projects that have been identified as potentially being needed during the 20-year planning period. Professional engineers and architects developed cost estimates for each project based on 2021 dollars. For projects occurring beyond 2021, the costs have been adjusted with an inflation rate of three percent per year. Contingencies are included to account for unknowns at the planning level of design. The contingency amount varies by project but is generally set between 5 and 15 percent depending on the complexity and overall project cost. Costs for planning, environmental review, design, and construction management are included as appropriate. The cost estimates are intended to be used for planning purposes only and should not be construed as construction cost estimates, which can only be compiled following the preparation of detailed engineering design documents.

## Project Phasing

Project phasing prioritizes projects through a priority ranking system based on development needs. The FAA's priorities in administering the CIP gives highest priority to projects that currently do not meet FAA standards and must be constructed to meet standards to maintain safety, security, and efficiency. Projects in the higher priority categories are considered to have more urgency and are placed in the beginning phase. Those projects with lower priorities are placed in later phases. Several projects can and will be phased over multiple years. This approach helps distribute capital costs more evenly and allows PUB to implement improvements as demand materializes. Project phasing supports accelerating or delaying project implementation in response to economic conditions and changing airport user needs.

Future demand for airport facilities is difficult to predict accurately, especially during the latter phases of the 20-year planning period. Therefore, emphasis is placed on the initial portion of the planning period. In this phase, projections are more definable, and the magnitude of program accomplishment is more pronounced.

## Phase I Projects

**TABLE E1** provides the sequencing and cost for each project contained in the first phase (i.e., 0 to 5 years). Phase I major improvement projects include a rehabilitation of Runway 8R/26L, the construction of a future third parallel runway, the first phase extension of Taxiway C to a full-length parallel taxiway serving Runway 17/35, and the rehabilitation of Taxiways A, A1, A3, A4, and A5. Other projects identified are ineligible pavement rehabilitation and hangar construction. Based on the priority and availability of local and federal funds, some projects may be moved to another phase. Ineligible projects will be paid for with local money or through other non-AIP sources. **FIGURE E1** illustrates the location of these projects on the airfield.

**TABLE E1 Phase I (0-5 Years) Development Program Project Costs**

PROJECT	PROJECT DESCRIPTION	Cost Estimate (2021)	Cost Estimate (3% Inflation)	OTHER	LOCAL	STATE	AIP Entitlements	AIP Discretionary	Total AIP Funding
<b>Year 1 (2022)</b>									
A.1	Snow Removal Equipment (SRE 22' Plow Truck)	\$415,000	\$427,500	-	\$10,688	\$10,688	\$406,125	-	\$406,125
A.2	Runway 8R/26L Rehabilitation and Taxiway A2 Removal (Design)	\$300,000	\$309,000	-	\$7,725	\$7,725	\$293,550	-	\$293,550
A.3	Construct 10-Unit T-Hangar	\$1,307,600	\$1,346,800	-	\$1,346,800	-	-	-	-
<b>Year 2 (2023)</b>									
A.4	Rehabilitation of Terminal Parking Lot	\$376,600	\$399,500	-	\$399,500	-	-	-	-
A.5	Runway 8R/26L Rehabilitation and Taxiway A2 Removal (Construction)	\$8,674,700	\$9,203,000	-	\$230,075	\$230,075	\$2,300,000	\$6,442,850	\$8,742,850
A.6	Future Third Parallel Runway Environmental Assessment and Cost-Benefit Analysis	\$400,000	\$424,400	\$212,200	-	-	-	\$212,200	\$212,200
A.7	Short-Term Terminal Development Concept for Terminal Building	\$1,930,000	\$2,047,500	-	\$51,188	\$51,188	-	\$1,945,125	\$1,945,125
<b>Year 3 (2024)</b>									
A.8	Future Third Parallel Runway Design	\$850,000	\$928,800	\$464,400	-	-	-	\$464,400	\$464,400
<b>Year 4 (2025)</b>									
A.9	FAA Part 77 Imaginary Surface Grading	\$597,000	\$671,900	-	\$16,798	\$16,798	-	\$638,305	\$638,305
A.10	Replace ARFF Building	\$2,800,000	\$3,151,400	-	\$78,785	\$78,785	\$2,000,000	\$993,830	\$2,993,830
A.11	Future Third Parallel Runway Construction	\$8,912,600	\$10,031,200	\$5,015,600	-	-	-	\$5,015,600	\$5,015,600
A.12	Apron Rehabilitation (East) (Phase I - Design and Construct)	\$2,481,100	\$2,792,500	-	\$69,813	\$69,813	-	\$2,652,875	\$2,652,875
A.13	Construct One Box Hangar	\$1,043,500	\$1,174,500	-	\$1,174,500	-	-	-	-
<b>Year 5 (2026)</b>									
A.14	Taxiway C Extension (Phase I)	\$3,218,700	\$3,731,400	-	\$93,285	\$93,285	-	\$3,544,830	\$3,544,830
A.15	Taxiway A and Connectors Rehabilitation (Phase I - Design and Construction) (Mill and Overlay Taxiways A, A1, A3, A4, A5. Last Paved Between 1998 and 2014)	\$6,571,000	\$7,617,600	-	\$190,440	\$190,440	-	\$7,236,720	\$7,236,720
<b>SUB-TOTAL PHASE I</b>		<b>\$39,877,800</b>	<b>\$44,257,000</b>	<b>\$5,692,200</b>	<b>\$3,669,595</b>	<b>\$748,795</b>	<b>\$4,999,675</b>	<b>\$29,146,735</b>	<b>\$34,146,410</b>

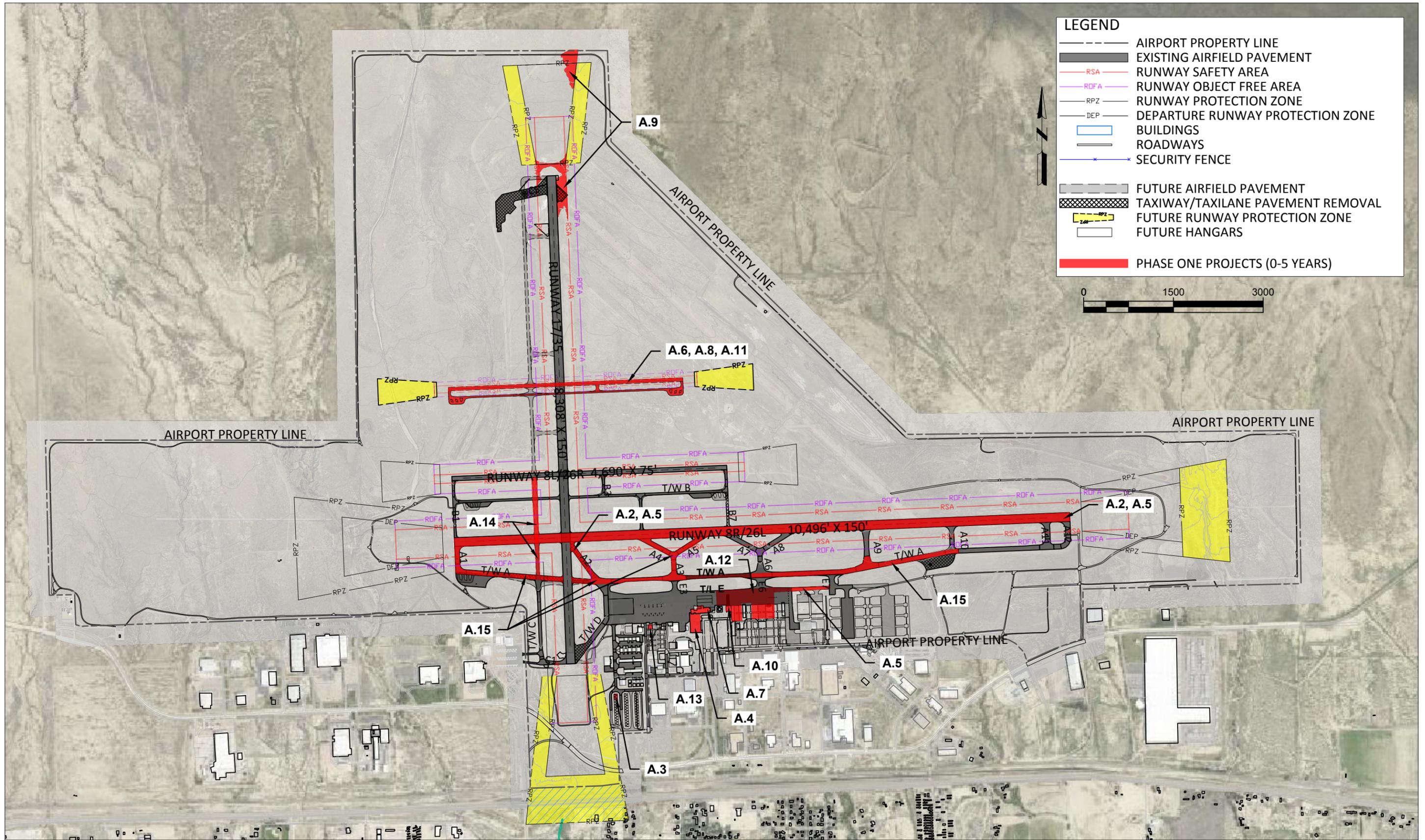


FIGURE E1 Phase I CIP (2022-2026)

## Phase II Projects

The phase II projects are anticipated to be implemented following the completion of the rehabilitation of Taxiways A, A1, A3, A4, and A5. Major projects include taxiway improvements, the relocation of the equipment building near Runway 8R, and the replacement or relocation of the ATCT. ATCT personnel have reported visibility issues to the north end of Runway 17/35 from the existing cab. PUB will require a separate analysis for the new location of the ATCT. The ramp rehabilitation project is to replace pavement that is 20 years old. The addition of three-position holding bays near Runway Ends 8R, 8L, and 26R are intended to satisfy the FAA' preferred design standards, replacing holding bays that do not meet current preferred standards. **TABLE E2** identifies Phase II projects with cost estimates, and **FIGURE E2** illustrates the location of the projects.

**TABLE E2 Phase II (6-10 Years) Development Program Project Costs**

PROJECT	PROJECT DESCRIPTION	Cost Estimate (2021)	Cost Estimate (3% Inflation)	LOCAL	STATE	FEDERAL
B.1	Taxiway B7 Removal	\$315,400	\$376,600	\$9,415	\$9,415	\$357,770
B.2	Relocate Equipment Building Near Runway End 8R Outside of ROFA	\$252,500	\$301,500	\$7,538	\$7,538	\$286,425
B.3	Replace ATCT	\$8,100,000	\$9,671,800	\$241,795	\$241,795	\$9,188,210
B.4	Extend Taxiway C (Phase II)	\$7,831,500	\$9,631,800	\$240,795	\$240,795	\$9,150,210
B.5	Rehabilitate Taxiway B (Design and Construction)	\$2,187,300	\$2,690,100	\$67,253	\$67,253	\$2,555,595
B.6	Realign Taxiway D	\$2,869,500	\$3,635,000	\$90,875	\$90,875	\$3,453,250
B.7	Construct Three Position Hold Bays Near Runway Ends 8R, 8L, and 26R	\$1,915,800	\$2,426,900	\$60,673	\$60,673	\$2,305,555
B.8	Construct Five-Unit T-Hangar	\$623,800	\$813,900	\$623,800	-	-
B.9	Construct Two Box Hangars	\$1,196,500	\$1,608,000	\$1,196,500	-	-
B.10	Construct Wildlife Perimeter Fence Line at Southern Airport Boundary (Design and Construction)	\$2,938,500	\$3,949,100	\$98,728	\$98,728	\$3,751,645
B.11	Rehabilitate Ramp (Phase V)	\$4,000,000	\$5,536,900	\$138,423	\$138,423	\$5,260,055
B.12	GA Taxiway and Utilities (Phase II)	\$500,000	\$692,100	\$17,303	\$17,303	\$657,495
B.13	Acquire SRE (Replace Aging Equipment)	\$415,000	\$574,500	\$14,363	\$14,363	\$545,775
<b>SUB-TOTAL PHASE II (2027-2032)</b>		<b>\$37,677,900</b>	<b>\$47,319,800</b>	<b>\$2,942,748</b>	<b>\$1,122,448</b>	<b>\$42,653,005</b>

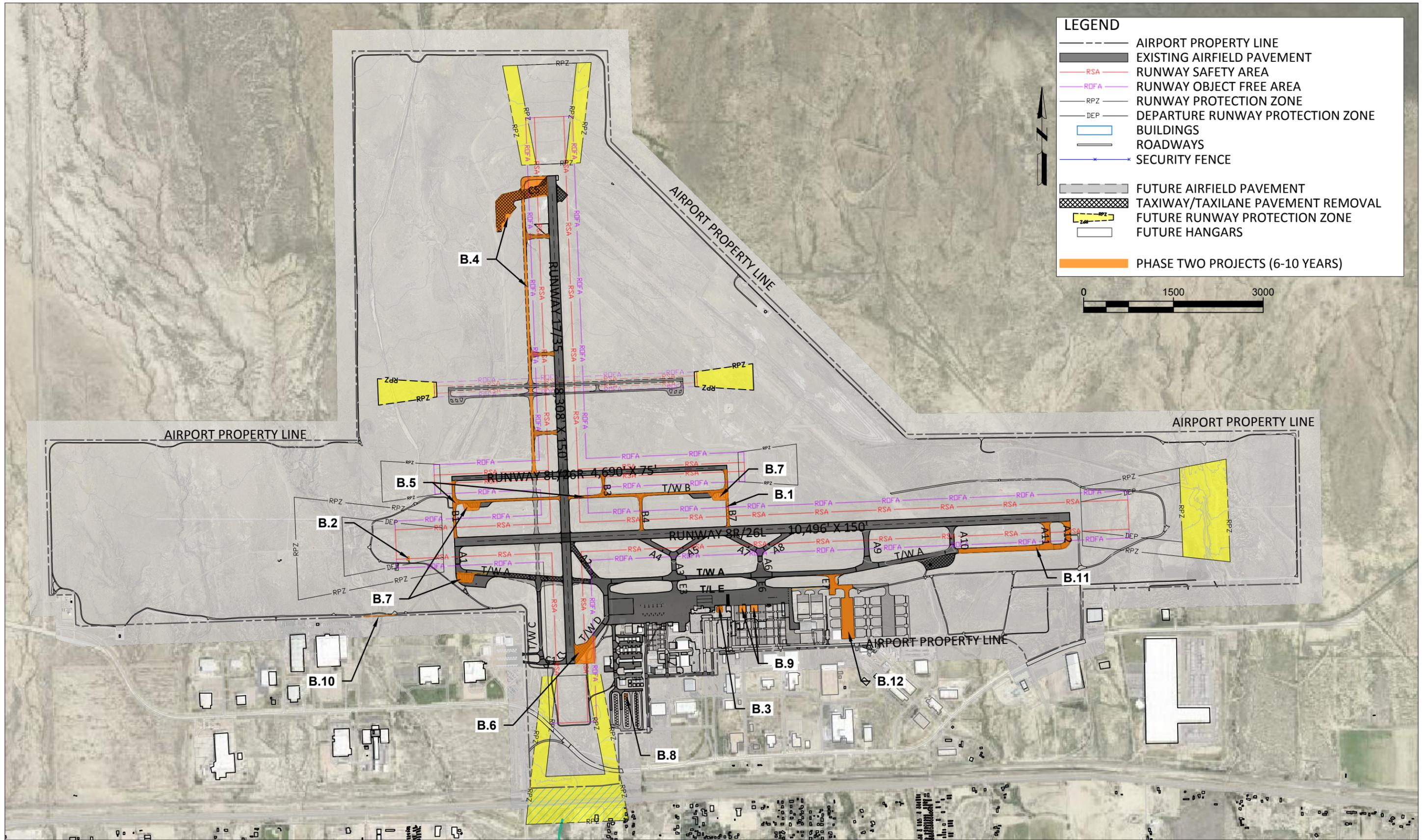


FIGURE E2 Phase II CIP (2027-2032)

### Phase III Projects

Phase III projects are difficult to predict accurately, but like all CIP projects, they must be included on the Airport Layout Plan (ALP) to be eligible for AIP funding. Major projects include rehabilitation of pavements, construction of the SRE building, and construction of additional hangars to meet the anticipated demand. **TABLE E3** identifies the Phase III projects with cost estimates, and **FIGURE E3** illustrates the location of the projects.

**TABLE E3 Phase III (11-20 Years) Development Program Project Costs**

PROJECT	PROJECT DESCRIPTION	Cost Estimate (2021)	Cost Estimate (3% Inflation)	LOCAL	STATE	FEDERAL
C.1	Rehabilitate Runway 8L/26R (Design and Construction)	\$2,919,000	\$4,161,800	\$104,045	\$104,045	\$3,953,710
C.2	Construct Snow Removal Equipment (SRE) Building	\$2,314,500	\$3,398,900	\$84,973	\$84,973	\$3,228,955
C.3	Construct Five-Unit T-Hangar	\$694,800	\$1,050,900	\$1,050,900	-	-
C.4	Construct Three Box Hangars	\$1,914,300	\$2,982,400	\$2,982,400	-	-
C.5	Construct 10-unit T-hangar	\$593,500	\$952,400	\$23,810	\$23,810	\$904,780
C.6	Realign Taxiway A	\$4,327,500	\$7,152,700	\$178,818	\$178,818	\$6,795,065
C.7	Purchase ARFF Truck/Equipment	\$665,000	\$1,166,100	\$29,153	\$29,153	\$1,107,795
C.8	Rehabilitate Apron	\$2,242,500	\$4,050,200	\$101,255	\$101,255	\$3,847,690
<b>SUB-TOTAL PHASE III (2033-2041)</b>		<b>\$15,671,100</b>	<b>\$24,915,400</b>	<b>\$4,555,353</b>	<b>\$522,053</b>	<b>\$19,837,995</b>

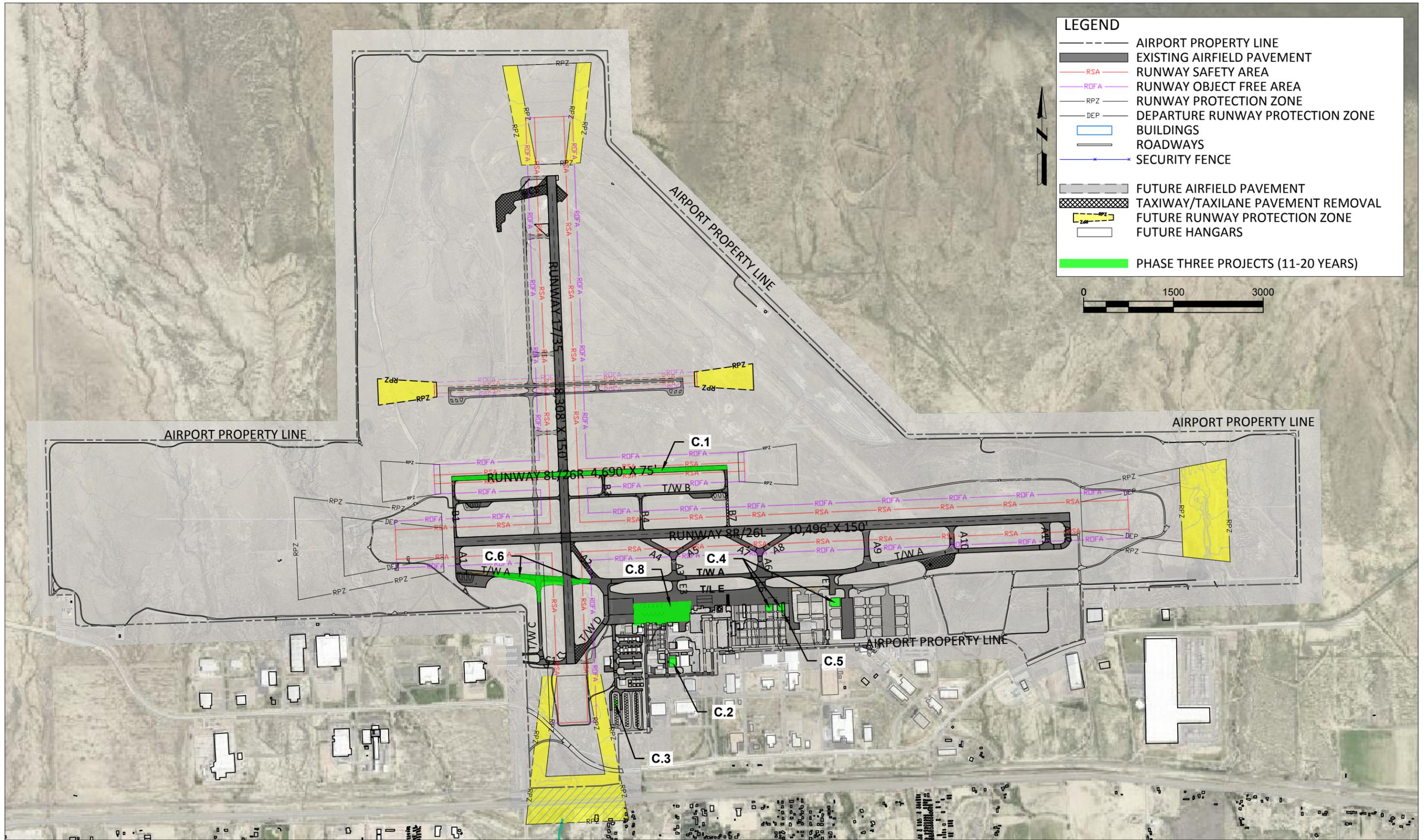


FIGURE E3 Phase III CIP (2023-2041)

## Phase IV Projects

Phase IV projects, or post planning period projects, are identified as contingent projects that are anticipated for implementation beyond the 20-year planning period. The two projects that are considered in Phase IV include the long-term development concept for the terminal building and improvement to the visibility minimums of the Instrument Approach Procedures (IAPs) for Runway Ends 17, 35, and 8L. No cost estimates are provided for contingent development in the post planning phase.

## Project Phasing Summary

The CIP aids PUB with budgeting and programming processes. Phase I typically constitutes the FAA and the CDOT Division of Aeronautics Airport Capital Improvement Program (ACIP) to assist in providing justification and funding strategies for projects under the FAA and CDOT grant-in-aid programs. This will assist PUB in implementing the CIP projects as necessary to meet federal and state grant assurances.

## Funding Sources

Funding sources for the CIP depend on many factors, including the AIP project eligibility, the Colorado Discretionary Aviation Grant (CDAG) Program priority rating model for project evaluation, the ultimate type and use of facilities to be developed, PUB's debt capacity, the availability of other financing sources, and the priorities for scheduling project completion. For planning purposes, assumptions were made related to the funding source of each capital improvement. The following funding sources provide background and context when reviewing the financial feasibility of proposed improvements.

- **Federal**
- **Local**
- **State**
- **Other.**

## Federal

The FAA provides funding for airport improvements through the Aviation Trust Fund (ATF), which is financed by aviation system user fees and taxes (e.g., airline passenger tax, aircraft parts tax, fuel tax, and aircraft registration fees). The AIP provides the mechanism to reinvest the ATF monies at FAA-eligible airports. The total amount of federal funds is governed by congressional appropriations to the AIP. FAA Order 5100.38D, *Airport Improvement Program Handbook* (AIP Handbook), describes AIP funding eligibility.

Because Colorado contains more than five percent of its geographic acreage comprised of unappropriated and unreserved public lands and nontaxable Indian lands, the AIP program allows for a higher-than-normal federal percentage match for AIP eligible projects. The adjusted formula provides for an FAA contribution of 95 percent compared to the normal contribution of 90 percent. The AIP grants require PUB to contribute a local match of 5 percent.

The FAA's most recent version (2021) of the National Plan of Integrated Airport Systems (NPIAS) classifies PUB as a Nonhub Commercial Service Primary airport. A primary airport is defined by statute as a public use airport receiving scheduled air carrier service with 10,000 or more annual enplaned passengers. Primary airports are divided into four categories based on the percentage of total U.S. passenger enplanements, with non-hub airports accounting for less than 0.05 percent of the total. The NPIAS identifies airports as eligible for AIP funding and estimates the amount of funds needed for projects that will update airports to current FAA standards and increase capacity as needed. FAA AIP funds available for commercial service airports are allocated through entitlement grants and discretionary grants.

### **AIP Passenger Entitlement Grants**

AIP entitlement grants are allocated among airports by an enplanements-driven formula. The percentage of costs shown as eligible for participation by the FAA is subject to change depending upon current funding legislation and policy at the time of implementation. The relationship between local and anticipated federal funding is based on current FAA participation of 95 percent of the total costs and local match of 5 percent.

Based on the current program, PUB is projected to receive entitlement grants of approximately \$1 million per year based on its enplanement levels. The five-year estimate of airport improvements that are eligible for federal development grants under the AIP total \$12.9 million. Airport categories in the NPIAS do not reflect the changes in airline or passenger demand and activity levels due to the COVID-19 pandemic.

### **AIP Discretionary Grants**

Projects eligible for AIP funding may also receive discretionary grants if the total cost exceeds what can be covered by entitlement funds. The approval of discretionary grant funds is established through a project priority ranking methodology used by the FAA to award grants, at their prerogative, based upon project's importance to the National Airport System (NAS). Discretionary grants are generally provided for projects that have placed high in priority towards enhancing safety, security, capacity and would be difficult to fund otherwise. Dollar amounts vary and can be significant compared to entitlement grants. Discretionary grants are not guaranteed, and the amount dedicated to any one airport is determined by each project's demonstrated and documented need compared to the needs at other airports within the NAS. It is reasonable to assume that PUB will receive additional discretionary grants during the planning period for higher priority, eligible projects such as runway projects.

Like passenger entitle grants, discretionary grants usually have an FAA funding participation of 95 percent and a local cost of 5 percent. However, for the construction of the third parallel runway, an FAA funding participation rate of only 50 percent is used. This is based on an anticipated unfavorable FAA Benefit Cost Analysis (BCA) ratio using the standard 95 percent federal funding levels, and the willingness of the Pueblo Economic Development Corp (PEDCO) to contribute significant funding for this project. Should the BCA indicate an unfavorable ratio even with this amount of local funding participation, PUB and PEDCO will need to re-evaluate the funding levels or reprioritize the project altogether.

## State

The CDOT Division of Aeronautics provides grants-in-aid from state funds for construction and development of airport projects to Colorado counties, cities, and towns. Grants are approved for projects including those that are AIP eligible, aviation pavement maintenance projects, and various other aviation projects. For AIP-eligible projects, state grant awards are typically for up to fifty percent of the local match requirement up to a limit of \$250,000 per fiscal year per airport. The \$250,000 limit does not apply to federal entitlement dollars that airports might save for several years and then receive in a single year. Projects that are not AIP eligible (but are still eligible for state funding) may also receive funding based on various state eligibility percentages. This funding requires a local match component to support the state funding requested. Local match can be provided by cash or in-kind work.

## Local

Local funds include, but are not limited to, airport revenues from leases, fuel surcharges, landing fees, Passenger Facility Charges (RFCs). PUB uses local funds to provide the five percent match on AIP- eligible projects. Local funds are also used for projects that are not eligible or do not compete well for AIP funding. In accordance with the current funding policies of CDOT Division of Aeronautics, the state participation is shown as 2.5 percent and the local share is shown as the remaining 2.5 percent.

## Cash Reserves/Airport Net Operating Revenue

PUB's cash reserves and future net operating revenues are significant sources of funds for the implementation of the projects included in the CIP. Net operating revenues represent the remaining funds available from the generation of operating revenues less payment of operating expenses as well as any debt service requirements. Any revenues generated on an airport must be used for airport-related capital and operational expenses only. As with many airports, including PUB, generating the necessary cash flow to balance the operations and maintenance costs is a constant struggle. Many airports rely upon supplemental funds from a municipal or county government to assist with funding the capital needs of their facilities. However, airports compete with other capital improvement needs for scarce local funding resources.

## Passenger Facility Charges

The Aviation Safety and Capacity Expansion Act of 1990 established the authority for commercial service airports to apply to the FAA for imposing and using a Passenger Facility Charge (PFC) of up to \$3.00 per eligible enplaned passenger. With the passage of AIR-21 in June 2000, airports could apply for an increase in the PFC collection amount from \$3.00 per eligible enplaned passenger to \$4.50. The proceeds from PFCs are eligible to be used for AIP eligible projects and for certain additional projects that preserve or enhance capacity, safety, or security, mitigate the effects of aircraft noise; or enhance airline competition. PFCs may also be used to pay debt service on bonds (including principal, interest and issue costs) and other indebtedness incurred to carry out eligible projects. In addition to funding future planned projects, the legislation permits airports to collect PFCs to reimburse the eligible costs of projects that began on or after November 5, 1990. PUB currently collects PFC revenues in an approved open application at the \$4.50 collection level.

## Customer Facility Charges (CFCs)

Rental car companies collect Customer Facility Charges (CFCs) on behalf of, and for the benefit of, the airports at which they operate. The charge is typically based on a fee per rental car transaction day that is added to rental car contracts. CFCs are required to be used for the financing, designing, constructing, operating, and maintaining of consolidated rental car facilities and common use transportation equipment and facilities that are used to transport the customer between the consolidated car rental facilities and other airport facilities.

PUB does not currently collect a CFC. If PUB so chooses, it can collect a CFC of \$3.00 per rental car transaction day to support capital expenditure for improving and expanding its rental car facilities. It is recommended that PUB consider collecting CFCs to assist with improvements and new rental car infrastructure.

## Private Third-Party Financing

Many airports use private third-party financing when the planned improvements will be primarily used by a private business or other organization. Such projects are not ordinarily eligible for federal funding. Projects of this kind typically include hangars, FBO facilities, fuel storage and dispensing systems, exclusive aircraft parking aprons, industrial aviation use facilities, and other non-aviation office/commercial/industrial development. Private development proposals are considered on a case-by-case basis. Often, airport funds for the infrastructure, preliminary site work, and site access are required to facilitate privately developed projects on airport property.

## Other Unidentified Funding

The traditional funding sources described in previous paragraphs are insufficient to finance a small number of projects programmed for development. Projects requiring other funding, such as revenue bonds, or general obligation bonds are primarily related to the terminal expansion and improvement.

## Financial Plan

The financial plan is developed for the five-year CIP to demonstrate PUB's ability to fund project improvements. PUB financial governance, structure, and fiscal authority will be described by the existing financial policy and rates and charges used for assessing funding assumptions, strategies, and suitability. An analysis based on financial statements has been reviewed and historical data tabulated to identify PUB budget trends, income patterns, and operating influence. A proforma analysis of PUB operating revenues and expenses has been conducted to identify PUB net income, carryover, cash flow balances, and capital cost recovery amounts reasonable to fund PUB projects. The financial plan focuses on:

- **Historical Review (revenues and expenses)**
- **Proforma Analysis (future financial projections)**
- **Budget Summary (impact on future finances).**

## Historical Review

The City of Pueblo owns PUB and has established the Memorial Airport Fund to operate PUB. The Memorial Airport Fund consists of revenues from four separate funds: the Memorial Airport Fund, the Airport Improvement Trust Fund, Airport Passenger Facility Fund, and the Aviation Grants Fund. Revenues in the Memorial Airport Fund primarily come from fees charged at PUB as well as subsidies from the city's general fund. The Airport Passenger Facility Fund accounts for the collection of PFCs at PUB. The Airport Improvement Trust Fund accounts for the transfer of funds equal to the appraised value of land located at PUB conveyed to private ownership. The Aviation Grants Fund consists of monies received from both federal and state grants, which fund most of the capital improvement projects at PUB.

**TABLE E4** provides PUB's historical operating budgets with data provided by the City of Pueblo financial statements.

**TABLE E4 Historical Operating Budget Summaries, 2018-2021**

	2018 (ACTUAL)	2019 (ACTUAL)	2020 (ESTIMATE)	2021 (ADOPTED)
<b>Revenues</b>				
Memorial Airport Fund	\$2,051,062	\$1,974,184	\$1,334,342	\$2,017,170
Airport Improvement Trust Fund	\$3,763	\$6,273	\$4,830	-
Passenger Facility Charge Fund	\$47,354	\$55,963	\$28,517	\$47,000
Aviation Grants	\$7,101,867	\$1,267,975	\$4,688,912	-
<b>Total Revenues</b>	<b>\$9,204,046</b>	<b>\$3,304,395</b>	<b>\$6,056,601</b>	<b>\$2,064,170</b>
<b>Expenditures</b>				
Memorial Airport Fund	\$1,917,000	\$1,785,500	\$1,334,342	\$2,017,170
Airport Improvement Trust Fund	-	-	\$55,555	-
Passenger Facility Charge Fund	-	\$160,000	-	\$47,000
Aviation Grants	\$6,927,064	\$1,007,101	\$4,688,912	-
<b>Total Expenditures</b>	<b>\$8,844,064</b>	<b>\$2,952,601</b>	<b>\$6,078,809</b>	<b>\$2,064,170</b>
<b>Cash at End of Year</b>				
Net Increase (Decrease) in Cash	\$359,982	\$351,794	(\$22,208)	-
Cash at Beginning of Year	\$400	\$400	\$400	-
<b>Total</b>	<b>\$360,382</b>	<b>\$352,194</b>	<b>\$(21,808)</b>	<b>-</b>

**SOURCE:** City of Pueblo 2021 Budget, May 2021.

City of Pueblo Statement of Cash Flows for Year End December 31,2018.

City of Pueblo Statement of Cash Flows for Year End December 31,2019.

City of Pueblo Statement of Cash Flows for Year End December 31,2020.

## Pro forma Analysis

Pro forma is a scenario- based planning tool that can be used to estimate future revenues and expenses. Because PUB has commercial air carrier service, it is required to file annual financial reports with FAA using the Certification Activity Tracking System (CATS). The system provides public access to the financial reports and the CATS data was used in the pro forma financial forecast. The PUB pro forma analysis is prepared using the passenger enplanements, aircraft operations, and based aircraft projections determined in **Chapter B – Aviation Activity Forecasts**. The PUB Master Plan covers a 20-year planning period (2019-2040) with 2019 as the existing forecast baseline year. The compound annual growth rate (CAGR) is calculated by determining the rate of change over the planning period. The CAGR is used to forecast projections for revenues and expenses.

Forecast activity and CAGR are provided in detail in **Appendix H** determine the rate of change for each budget category. For the revenues and expenses that are not driven by passengers, aircraft operations or based aircraft categories, they are escalated with the CIP inflation rate. The CIP inflation rate of two percent used in this pro forma analysis is the national standard inflation rate by year and corresponds to the cycle of the nation's gross domestic product (GDP). CAGR for all forecast activities are listed in **Appendix H**.

The financial feasibility and project potential cash flows are evaluated in this pro forma analysis. The pro forma projections consider a five-year window beginning in 2022 and continuing through 2026. The budget for 2021 has been adopted already since the analysis is completed mid-year 2021 and was not considered. The proforma analysis is expressed into the following categories.

- **Aeronautical Revenue**
- **Operating Expenses**
- **Capital Expenditures.**

### **Aeronautical revenues**

Passenger-related aeronautical revenues come primarily from airline landing fees, terminal arrival fees which include rents and utilities, and other passenger fees. Additionally, airlines act as airport tenants, paying rent for counter and gate space, training facilities, storage facilities, offices and maintenance facilities.

Non-passenger aeronautical revenues are generated from aeronautical activities. These include hangar rentals, fuel tax and flowage fees, and FBO revenues. These revenues have been escalated at the appropriate rate based on the forecast activity.

Non-Aeronautical Revenues include revenues generated in retail concessions, parking, rental cars, food and beverage, advertising, access fees, taxes, and utilities. Revenue from terminal services and retail is assumed to have decreased due to the COVID -19 related decrease in commercial air service at PUB . Other categories such as taxes on utilities increase each year using the CIP inflation rate.

### **Operating Expenses**

Operating expenses include items such as compensation, benefits, supplies, insurance, maintenance, and contractual services. These expenses are not driven by the future airport activity and have been escalated at the CIP pro-forma rate of two percent.

The non-operating revenue (expenses) and capital expenditures include interest income, grant receipts, capital contributions and other non-operating revenue. and customer facility charges. Interest income is escalated at the CIP inflation of two percent. The grants projections are calculated using the CIP and the anticipated AIP funding participation for each year for the five-year planning period. Each year varies

depending on the grant needs for each specific year. Escalation after the year 2021 has already been included in the cost estimates. Passenger Facility Charges (PFCs) are not included in the proforma analysis forecast. PUB PFC funds have been allocated to pay for past FAA approved projects for the previous year(s) until the expiration of the PFC application which will occur in 2036. The Capital Contribution forecast shows the 2.5 percent match that is required by FAA. The match correlates with the capital project needs for each year escalated appropriately. Other non-operating funding has been forecasted as anticipated funding from a third party that has coordinated with PUB to contribute funds based on an agreed upon percentage for their contribution.

### Capital Expenditures

The capital expenditures and construction -in-progress CATS category in the analysis is based on the programmed five-year CIP. These account for airfield, terminal, parking, and other capital projects for each year for PUB. Carryover years are years in which PUB is not expected to fund projects with AIP grants but is carrying over their passenger entitlements into the next year that has a programmed project. PUB has the option to carry over passenger entitlements for up to three years for use in the fourth year.

### Budget Summary

Using the forecast aviation activity and the escalation factors, a summary of the five-year pro forma projected operating budget has been formed. The analysis of the cash flow provides insight into ways to reduce operating costs or steps to accelerate revenues. **TABLE E5** provides a summary of the total forecasted operating revenues, expenses, and capital contributions. PUB operating income is trending negative, averaging approximately 400,000 dollars each year for the five-year period. This is the result of PUB operating expenses being greater than the operating revenues. The projected amount of capital expenditures anticipated for the five-year period are anticipated to be funded through the request of FAA discretionary. Even with the sizable local funding involvement of the third parallel runway (i.e., 50 percent), PUB will find it difficult to contribute its match for any AIP passenger entitlement grants as the funding mechanisms are structured now. Additionally, PUB is not favorably positioned to maximize discretionary grants or contribute to non-AIP eligible projects. PUB will need to request discretionary funds for many other projects in Phase I, or it may need to shift Phase I projects to Phases II or III as needed to minimize the capital and operating costs. Reprioritizing the projects or increasing the local funding match will be required as each year's projects are evaluated and considered for implementation.

**TABLE E5 Forecast Operating Budget Summary, 2022-2026**

ACCOUNT ACTIVITY	FORECASTED				
	2022	2023	2024	2025	2026
Total Passenger Airline Aeronautical Revenue	\$83,000	\$85,000	\$86,000	\$87,000	\$88,000
Total Non-Passenger Aeronautical Revenue	\$430,000	\$436,000	\$442,000	\$451,000	\$458,000
Total Aeronautical Revenue	\$513,000	\$521,000	\$528,000	\$538,000	\$546,000
Total Non-Aeronautical Revenue	352,000	\$359,000	\$365,000	\$372,000	\$379,000
Total Operating Revenue	\$865,000	\$880,000	\$893,000	\$910,000	\$925,000
Total Operating Expenses	\$1,241,000	\$1,267,000	\$1,291,000	\$1,318,000	\$1,343,000
Operating Income (Loss) <sup>1</sup>	\$(376,000)	\$(387,000)	\$(398,000)	\$(408,000)	\$(418,000)
Total Non-Operating Revenue <sup>2</sup>	\$2,084,000	\$12,075,000	\$929,000	17,823,000	\$11,350,000
<b>Total Capital Expenditures<sup>3</sup></b>	<b>\$2,083,000</b>	<b>\$12,075,000</b>	<b>\$929,000</b>	<b>\$17,822,000</b>	<b>\$11,349,000</b>

**SOURCE:** Mead & Hunt analysis.

**NOTES:** <sup>1</sup> Depreciation expense is not a cash transaction, so it has been removed. Depreciation averaged \$1.7 million per year from 2019-2020.

<sup>2</sup> Includes FAA and state grants.

<sup>3</sup> These are capital projects reported on the capital improvement plan. Funding for these projects, including FAA and State grants, is included in Total Non-Operating Revenue.

## Summary

The 20-year CIP project costs, including inflation, are expected to total approximately \$116.5 million. The pro forma analysis projects that PUB can generate additional revenue by escalating passenger and non-passenger operating revenues with the associated rates that have been forecasted through the planning period of 2040. This analysis indicates that PUB will rely mostly on AIP entitlements and discretionary grants to cover funding for the initial five-year period of 2022 to 2026. PUB may choose to adjust rates as demand changes to help defray increasing costs. It is a worthy and feasible goal that PUB become as financially self-sufficient as possible. In fact, FAA Grant Assurance #24 indicates that airport sponsors should maintain fee and rental structures for facilities and services that make airports as self-sustaining as possible given local circumstances.

The development plan for PUB is aggressive; the monetary commitments are significant. However, it is a solid plan that represents PUB's best opportunity for meeting its current and future obligations. The plan also represents a series of choices and alternatives for the City of Pueblo. The ultimate success of PUB does not rely upon the completion of every single project contained in the development plan. To meet realistic funding expectations, it may be necessary to weigh the projects in a thoughtful and economical manner. In other words, to keep from being short-sighted in its choices, the city may be required to selectively implement the projects. Knowing the full scope of development possibilities enables the city to capitalize on opportunities, respond to financial realities, and select projects that are in harmony with PUB's overall development plan and strategic vision. The project improvements are depicted on the ALP so that PUB can respond to changing demand quickly and illustrate to the FAA that should the need for a particular facility arise earlier than expected, its size and location have been considered in relation to the rest of airport facilities.

If aviation demands continue to indicate that improvements are needed, and if the proposed improvements prove to be environmentally acceptable, the capital improvement financial implications discussed previously are likely to be acceptable for CDOT Division of Aeronautics, and the FAA. However, it must be recognized that this is only a programming analysis and not a commitment on the part of the CDOT Division of Aeronautics, the FAA, or the Airport Sponsor. If the cost of an improvement project is not financially feasible, it will not be instigated.