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Vermont Agency of Transportation

2011 Aviation Program-Wide Business Plan

January 2012

Executive Summary

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Innovative Solutions / Sustainable Results

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January 15, 2012

Richard Mazza, Chair, Vermont Senate Committee on Transportation
Patrick Brennan, Chair, Vermont House of Representatives Committee on Transportation

SUBJECT: Aviation Program Plan – Act 62 (H.443) Sec. 17 – Aviation Program Plan

Senator Mazza and Representative Brennan,

The Vermont Aviation Advisory Council has reviewed the enclosed copy of the 2011 Vermont Aviation Program-Wide Business Plan, and we commend this report to your legislative body for further action. This plan has been completed per the requirements of Act 62 (H.443) Section 17, *Aviation Program Plan*, of the 2011 Vermont Legislative Session and has been endorsed by the members of the Vermont Aviation Advisory Council.

The recommendations in this plan provide guidance to the State towards reducing the annual operating losses at the nine general aviation airports operated by the Vermont Agency of Transportation. By 2017, it is estimated that the State can reduce its annual operation loss by nearly 97% with the implementation of several expense reduction and revenue enhancement recommendations. These recommendations include the implementation of an aircraft registration fee, the standardization of lease rates at each airport, increased marketing of the airports for both new based aircraft and aviation-compatible development, and the installation of solar energy technology to reduce utility costs. According to the Plan, the airports will have a combined direct annual economic impact of nearly $16 Million by 2017. The Council believes that the implementation of these recommendations will position the airports for improved financial performance and will allow for each airport to remain a key infrastructure asset for the State and the communities that they serve. As such, we urge the Vermont State Legislature to enact the report recommendations immediately.

Sincerely,

The Vermont Aviation Advisory Council

George Coy
Roger Damon
Bob Flint
John McNerney
William Rozensky
Edward Peet
Willam Gilliam Jr.
Doug Smith

Guy Rouelle, Aviation Program Administrator

INTRODUCTION

The Vermont State Legislature, through Section 17 of Act 62 (H.443) of the 2011 Vermont Legislative Session, required the completion of a business plan to achieve the goal of reducing or eliminating the existing operating deficits of State-owned airports by June 30, 2015. This legislation excluded those airports that provide daily commercial passenger service and are certified under 14 CFR 139. This Aviation Program-Wide Business Plan satisfies the requirements under Section 17, by reviewing aircraft registration fees, hangar fees, landing fees, and other service fees that would produce net revenue for the State when compared to those fees charged by other states and other airport sponsors. In addition to these revenue enhancements, this study also considers several additional recommendations that will improve both financial and functional operation of the state-owned airports, and considers the local benefits based on the presence of the aviation system.

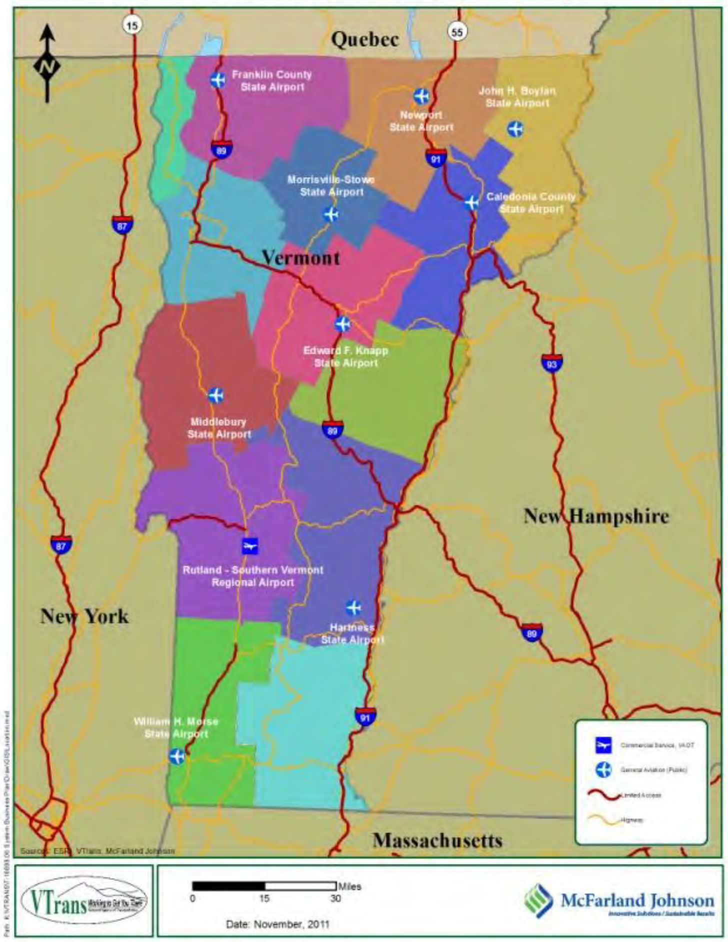
The focus of this Business Plan, per the requirements of Section 17 of Act 62 (H.443), is the statewide system of general aviation airports. The Aviation Program-Wide Business Plan considered existing operating expenses and revenues at each of the state-operated airports. In 2011, the general aviation airports maintained a combined net operating loss of $428,359. Based on implementation of several recommended revenue enhancements and expense reductions, it is estimated that the net operating loss could be reduced to $13,671 at the general aviation airports by 2017 – reducing the annual operating loss by approximately 97%. In 2011, the operating expenses totaled $632,481. However, based on several recommendations, it is estimated that the total operating expenses for the airports can be reduced by approximately 36% by 2017 to $401,854. While revenue generation is incorporated into several recommendations, the largest proportion in the reduction of net operating loss is a result of reducing the annual operating expenses.

This summary has been organized to include the following sections to address the issues described above and to produce the desired end products:

- System Background
- Existing Annual Operating Revenues & Expenditures
- Recommendations
- Local Benefits
- Conclusions

SYSTEM BACKGROUND

STATE OPERATED AIRPORTS FIGURE E-1



The Vermont Agency of Transportation (VTRANS) currently operates ten airports within the State. These airports vary in size and services provided and are located in various communities across the State. **Figure E-1** displays the location of the airports within Vermont. The general aviation airports evaluated in this study included Edward F. Knapp State Airport (Berlin), Hartness State Airport (Springfield), Morrisville-Stowe State Airport, William H. Morse State Airport (Bennington), Caledonia County State Airport, Franklin County State Airport, Middlebury State Airport, Newport State Airport, and John H. Boylan State Airport (Island Pond). VTRANS also operates the Rutland-Southern Vermont Regional Airport, which was excluded from this study as it is currently certified under 14 CFR 139 and maintains daily commercial passenger service.

EXISTING ANNUAL OPERATING REVENUES & EXPENDITURES

Over the past several years, VTRANS has begun to update its accounting system to provide additional detail regarding specific revenues and expenditures. Prior to Fiscal Year 2011, the VTRANS Aviation Program did not maintain records relating to specific expenses, but instead aggregated those figures into two to three categories per airport. As a result, detailed historical data for expenses is not available prior to Fiscal Year 2011. A review of annual operating revenues and expenditures, including cumulative figures for the nine general aviation airports, is summarized in **Table E-1**.

Table E-1 Existing Annual Operating Revenues & Expenses (By Fiscal Year)

OPERATING REVENUE		
General Aviation Airports	**2010**	**2011**
Lease Fees	$179,487	$162,066
100LL AvGas Excise Tax	$24,246	$22,462
Jet-A Sales Tax	$21,889	$19,595
TOTAL	**$225,622**	**$204,122**

OPERATING EXPENSES			
General Aviation Airports	**2011 (Reported Operating)**	**2011 (Adjusted Operating)***	**2012 (Budget)**
Maintenance	$205,132	$139,170	$122,221
Utilities	$111,586	$110,032	$125,842
Equipment	$254,194	$209,001	$73,858
Labor	$102,118	$91,033	$72,500
WSI/Weather Systems	$11,034	$11,034	$30,588
FBO Management	$72,211	$72,211	$133,000
TOTAL	**$756,275**	**$632,481**	**$558,009**

** - The Adjusted 2011 Operating Expenses incorporates the removal of several line items that were inadvertently included in the Reported Operating Expenses. These charges include construction materials (including concrete and aggregates), the use of construction vehicles (for paving and obstruction removal), and some utility charges.*

As shown in Table E-1, annual operating revenues at the State-operated general aviation airports decreased by 9.5% between 2010 and 2011. When considering annual operating expenses, the 2011 data provided by VTRANS included several expenses that were related to facility expenses as opposed to operating expenses. Those expenses, including construction materials and construction equipment, were removed from consideration and the Adjusted Operating Expenses are utilized as the baseline for 2011. Based on several expense-reduction measures presently under implementation by VTRANS, the 2012 budget for operating expenses projects a reduction in expenses of 11.7% at the general aviation airports.

RECOMMENDATIONS

Several specific revenue enhancement and expense reduction strategies were considered and analyzed as part of the Aviation Program-Wide Business Plan. Where possible, these strategies have been compared with similar methods utilized at other airports primarily within New England and the Northeastern United States. Based upon this analysis, recommendations in the plan include the following:

- Implement a Fuel Flowage Fee (recommended at $0.07/gallon) at State-operated airports
- Standardize land leases at the next renewal period
- Update leases to include annual increases by the change in the Consumer Price Index (CPI) as opposed to cumulative updates every five years
- Market approximately 323 acres of available land for future aviation or mixed use aviation compatible development

- Establish aircraft registration fees for all aircraft based at airports in Vermont ranging from $25 (aircraft with a gross weight of less than 1,000 pounds) to $250 (aircraft with a gross weight of greater than 12,500 pounds)
- Continue pursuing the leasing of space on hazard beacon towers for cellular company antennas
- Continue with the installation of LED lighting and solar energy technology to reduce utility costs
- Establish an Aviation Trust Fund or an Aviation Account within the Transportation Fund for the dedicated use of taxes and fees related to aviation in Vermont
- Increase marketing within the region and improve branding
- Update FBO leases to include specific guidelines for standard FBO facilities (tie-downs, number of hangars, etc.)

It should be noted that the implementation of landing fees was considered during this study, but later discarded. It is not recommended that Vermont institute landing fees at State-operated airports.

Based upon the implementation of these recommendations, projections were developed as part of the Business Plan to estimate the potential impact. As several of these recommendations will occur over time, baseline figures are presented for both 2015 (per the requirements of Section 17), and 2017, which provides a five-year projection, typical in many business plans. Based on the implementation of these recommendations, VTRANS can reduce their net operating loss significantly over the next five year period. **Table E-2** displays projected expenses and revenues in 2015 and 2017 for the general aviation airports.

It is estimated that the operating revenue at the general aviation airports could be increased sufficiently to reduce the net operating loss in 2015 to $68,332 and to $13,671 in 2017. Several factors, including the establishment of additional land leases at each airport beyond those included in the projections, would further improve the net operating revenue of the general aviation airports. Based on the above projections, several airports will produce an annual net operating profit for VTRANS, including Middlebury, Franklin County, John H. Boylan, and E.F. Knapp by 2017, with several others maintaining annual net operating losses of less than $10,000 per year. Individual airport net operating costs can be found in **Executive Summary Appendix A**.

Table E-2 Projected Annual Operating Revenues & Expenses (By Fiscal Year)

OPERATING REVENUE		
General Aviation Airports	**2015**	**2017**
Lease Fees	$238,409	$284,097
Aircraft Registration	$17,225	$17,925
Fuel Flowage Fees	$17,393	$21,492
100LL AvGas Excise Tax	$34,069	$41,734
Jet-A Sales Tax	$21,829	$22,934
TOTAL	**$328,925**	**$388,183**
OPERATING EXPENSES		
General Aviation Airports	**2015**	**2017**
Maintenance	$120,506	$125,249
Utilities	$33,333	$26,967
Equipment	$82,945	$87,144
Labor	$43,101	$44,988
WSI/Weather Systems	$12,372	$12,505
FBO Management	$105,000	$105,000
TOTAL	**$397,257**	**$401,854**
NET OPERATING REVENUE		
	2015	**2017**
General Aviation Airports	**($68,332)**	**($13,671)**

LOCAL BENEFITS

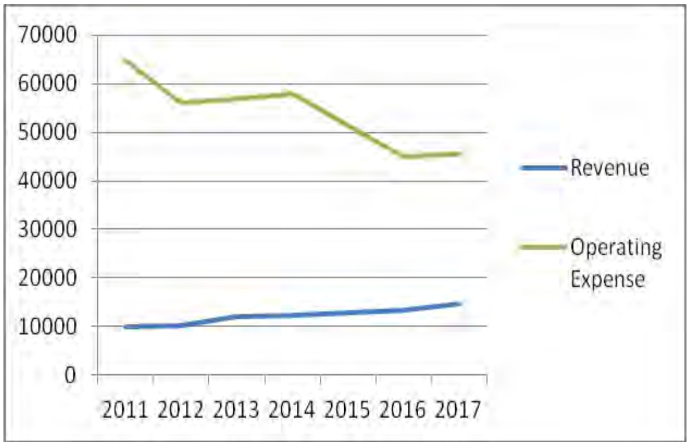
An analysis of local benefits to the State-operated airport system indicated significant advantages to each of the local communities hosting an airport, as well as to the State as a whole. In addition to monetary impacts to the various economies, the airports provide transportation benefits by providing ease of access to the national air transportation system, assisting with the stimulation of business, allowing for police and law enforcement use, providing recreational opportunities for both residents and tourists, and can serve as a staging area for community events. Further, airports can serve key roles for emergency response, as airports throughout the state provide a facility for aeromedical evacuations for seriously injured or ill patients. Airports allow for organ transports to and from the various regions, and can accommodate Angel Flights, which provide free air transportation for time-critical, non-emergency medical care when other types of air transportation are not affordable, feasible, or available.

The economic benefit of the airports is a significant contributor to the local community. Based on an analysis of on-airport employment, projected future airport development as identified through the Airport Capital Improvement Plans, and other recommendations identified in this plan, it is estimated that the direct economic impact of the State-operated general aviation airports in 2010 was approximately $12,566,600. This includes the direct employment of 132 residents at the general aviation airports. The impact of state and local taxes associated with the general aviation airports was approximately $1.1 Million in 2010.

CONCLUSION

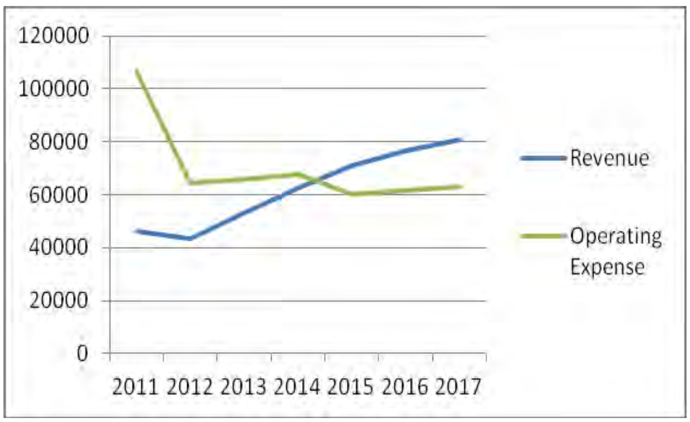
While it is widely held that transportation assets, including non-toll bridges, roads, and sidewalks, typically do not provide direct revenue for their operators, it is important to keep in mind that the airports provide a significant amount of revenue that contributes towards the annual operating expenses at the airports. The airports also provide nearly $13 Million in combined annual direct economic impact to both the local communities and the State and contribute 132 jobs to the State economy. The operation of the general aviation airports has provided nearly $25 Million in federal investment for improvements to airport infrastructure since 1992. The economic impacts and the local benefits of the airports in Vermont are significant, and the funding provided to this airport system continues to remain a wise investment for the State.

Executive Summary
Appendix A
Individual Airport Net Operating Revenues



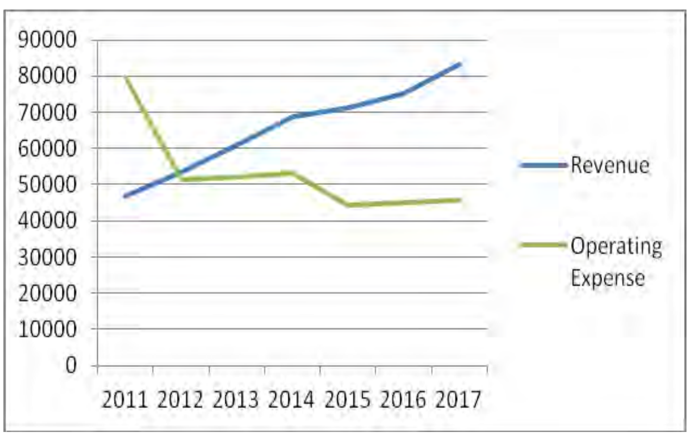
	CDA	
	2015	2017
Total Revenue:	$12,880	$14,651
Total Expense:	$51,386	$45,631
NET INC/LOSS:	**$38,506**	**$30,980**

Figure E1: Caledonia County State Airport (Lyndonville)



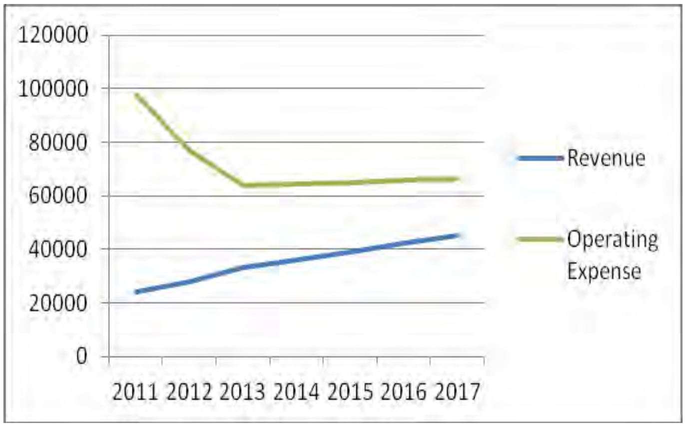
	MPV	
	2015	2017
Total Revenue:	$70,939	$80,839
Total Expense:	$60,044	$63,048
NET INC/LOSS:	**$10,895**	**$17,790**

Figure E2: Edward F. Knapp State Airport (Berlin)



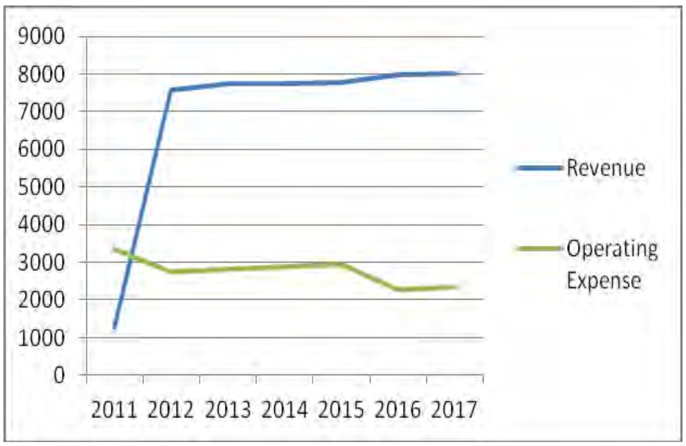
	FSO	
	2015	2017
Total Revenue:	$71,238	$83,350
Total Expense:	$44,233	$45,589
NET INC/LOSS:	**$27,005**	**$37,761**

Figure E3: Franklin County State Airport (Highgate)



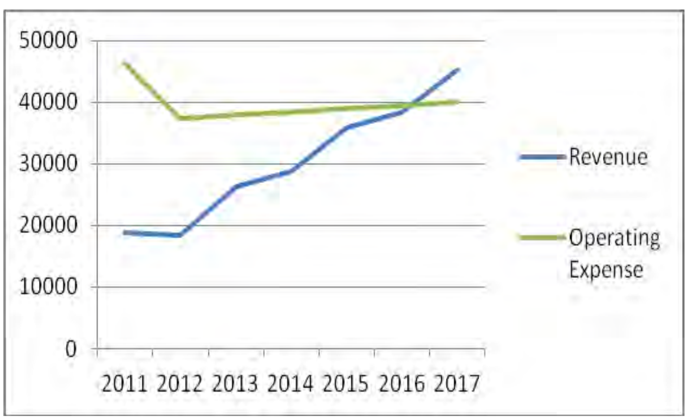
	VSF	
	2015	2017
Total Revenue:	$39,036	$45,058
Total Expense:	$65,103	$66,156
NET INC/LOSS:	**$26,067**	**$21,098**

Figure E4: Hartness State Airport (Springfield)



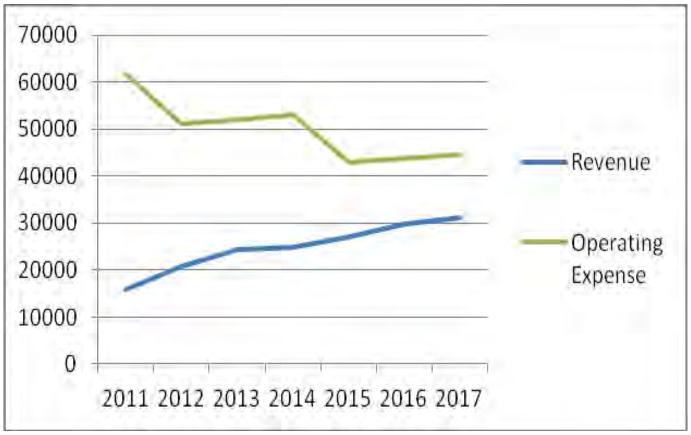
	5B1	
	2015	2017
Total Revenue:	$7,794	$8,006
Total Expense:	$2,942	$2,340
NET INC/LOSS:	**$4,852**	**$5,666**

Figure E5: John H. Boylan State Airport (Island Pond)



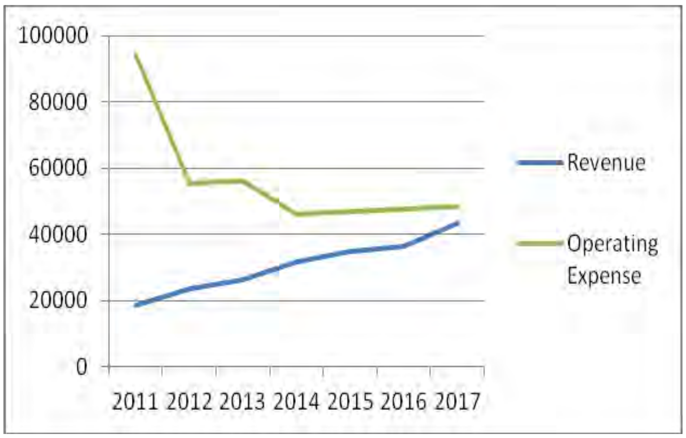
	6B0	
	2015	2017
Total Revenue:	$35,943	$45,293
Total Expense:	$38,930	$40,009
NET INC/LOSS:	**$2,987**	**$5,285**

Figure E6: Middlebury State Airport (Middlebury)



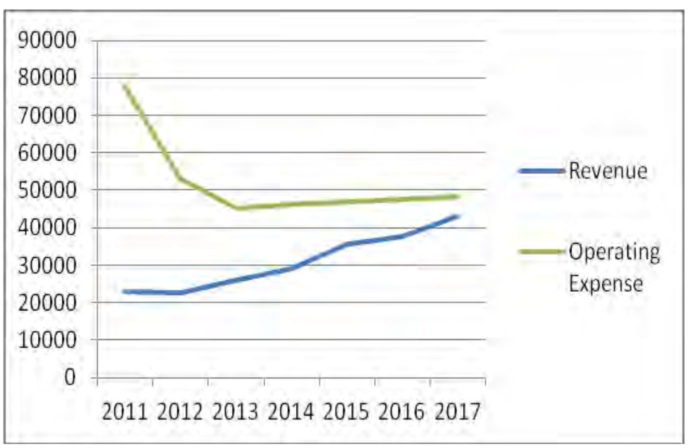
	MVL	
	2015	2017
Total Revenue:	$27,225	$31,099
Total Expense:	$43,060	$44,454
NET INC/LOSS:	**$15,835**	**$13,355**

Figure E7: Morrisville-Stowe State Airport (Morristown)



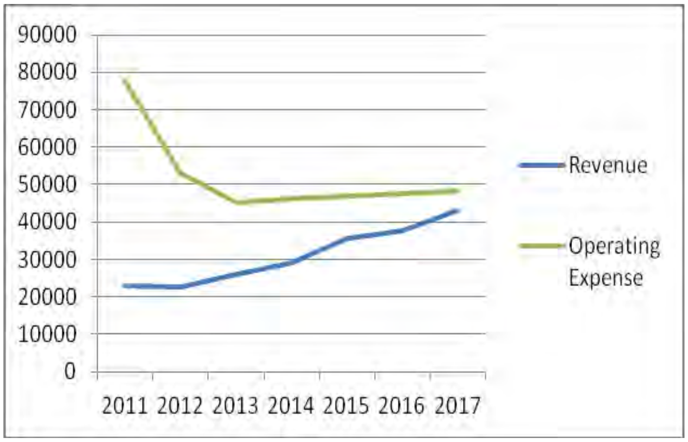
	EFK	
	2015	2017
Total Revenue:	$34,700	$43,280
Total Expense:	$46,738	$48,221
NET INC/LOSS:	**$12,038**	**$4,941**

Figure E8: Newport State Airport (Coventry)



	DDH	
	2015	2017
Total Revenue:	$35,474	$43,231
Total Expense:	$46,837	$48,424
NET INC/LOSS:	**$11,363**	**$5,194**

Figure E9: W.H. Morse State Airport (Bennington)



	GENERAL AVIATION 2015	2017
Total Revenue:	$328,925	$388,183
Total Expense:	$397,257	$401,854
NET INC/LOSS:	**$68,332**	**$13,671**

Figure E10: State-Operated General Aviation Airports