

## **CHAPTER 7**

# **AIRPORT FINANCIAL PLAN**

### **7.1 INTRODUCTION**

This section of the Airport Master Plan outlines the financial strategy to assist the Oscoda-Wurtsmith Airport in implementing the 20-year Airport Development Plan. The financial plan identifies the potential capital funding sources and priorities, and how the Airport would likely obtain these funds. As a federally obligated Airport, the financial plan has been developed consistent with federal and state grant programs and funding policies.

The financial plan is largely subject to the following key factors:

- The Airport's facility improvements are substantial over the next 10 to 20 years, particularly for airfield pavements as identified in the 2010 Pavement Condition Index (PCI) study.
- As a facility largely constructed in the 1960's, significant airfield, terminal area and landside rehabilitation projects are imminent, as required to properly maintain infrastructure to support airport users and business tenants.
- The Airport will rely heavily on federal and state funding programs to implement the major eligible capital improvement projects. The Airport's infrastructure more closely resembles the size of a commercial airport, but is funded at a general aviation level. Consequently, the Airport is limited in obtaining annual entitlements, and will depend significantly on discretionary and appropriated funds.
- Tenant rate increases and/or new user charges may be implemented in order to generate the Airport revenue levels necessary to provide for the local grant match. Any future reliance on local taxpayer revenues is not anticipated as part of the Airport's financial plan.

### **7.2 FINANCIAL BACKGROUND**

This section presents the Airport's financial structure, historical budgeting patterns, and other influencing factors regarding the Airport's revenue position with regards to funding the Airport Development Plan described in the previous chapter.

#### **7.2.1 Airport Financial Structure**

The Oscoda-Wurtsmith Airport Authority (OWAA), as the Airport Sponsor, is the governing body responsible for the financial obligations to own, manage and improve airport facilities. As a public-operated facility, fiscal duties must be conducted in accordance with the federal and state grant assurance agreements and compliances, and with other local and state business requirements, along with stipulations resulting from the transfer of property as a former Air Force Base.

In addition, conformance with federal accounting practices, airport revenue generation codes, leasing provisions, open access policy, non-exclusive rights and equality of fees and charges among users should be implemented as part of the Airport's financial policy.

While the Airport Authority administers ownership control, the principal users of the Airport are private businesses entered into various lease agreements. Therefore, the public's interface is largely with private businesses, and not the Airport Authority. This means the Airport Authority is essentially a proprietor, and dependent upon the success of its tenants and users to remain financially self-sufficient.

### **7.2.2 Airport Authority Funding**

The Airport Authority provides the local share of the capital development program. The Airport's operating revenues are predominantly generated by tenant rents and user fees, which in turn, is the principle source of Airport Authority funds used to finance project improvements. Airport funds are typically used to match or supplement FAA or MDOT grants, and occasionally needed for seed money to initiate planning and land acquisition projects, and later reimbursed under grant. Borrowing may also occur, but ultimately it must be repaid with operating earnings.

Airport projects associated with the airfield and terminal areas are typically eligible for funding with grants from the FAA and MDOT, as supported by local matching funds which normally range from 2.5 to 50 percent of the total project cost. Local funding of non-eligible federal and state projects typically requires a commitment of 100 percent of local dollars, and can become a significant portion of total airport spending and planned improvement costs. Non-eligible projects may also involve funding or financial participation from other government entities or private sources, as administered through the Airport Authority.

The Airport currently has no outstanding bond issues or loans.

### **7.2.3 Factors Influencing Capital Project Funding**

Airport financial situations can vary, perhaps significantly, over short spans principally due to changes in user activity, the number of tenants, lease rate changes, maintenance/construction cost increases, unexpected operating expenses, and other factors. In addition to the Airport's financial situation, the financial plan also recognizes the possibility for future changes to the federal and state airport funding programs, as subject to reoccurring legislative authorizations. Therefore, the financial plan assumes the continued FAA and MDOT funding support for capital projects, stability of cost estimates, and the viability of sustained tenant and user revenues as affirmed by the airport activity forecasts.

More specifically, the principal Airport financial expectations are centered on:

- Under the current circumstances, the Airport is primarily focused on meeting the local match requirements in order to secure AIP funds for implementing critical airfield projects. Funding for the local share will come from the Airport Authority, without reliance on local tax dollars. The Airport Authority funds used to finance the local match are derived from annual operating surpluses, accumulated capital reserves, or possible lease compensation as rent credit in lieu of leasehold improvements.
- The Airport remains a general aviation facility recognized in the FAA National Plan of Integrated Airport Systems (NPIAS).
- Michigan remains a block grant state for the FAA.

- FAA and MDOT continue their current capital funding programs, and current project eligibility standards. The Airport continues to receive an annual FAA general aviation entitlement of \$150,000. The availability of FAA discretionary funds is also expected, particularly to implement critical airfield safety improvements.
- As a baseline, Airport revenues track consistent with recent budget trends.
- Due to the depleted inventory of hangars and functional buildings, the Airport Authority has few structures available for immediate lease. In the future, tenants will become responsible for financing construction of new buildings. Pre-paid rent compensation is an option in order to incentivize new construction, but foregoes Airport revenue income. In order to derive significant amounts of new revenue, the Airport will need to generate additional hangar space and/or attract new construction. This includes areas already served with roadway access and utilities, in addition to developing new designated on-Airport business/industrial lots.
- Unforeseen safety/security regulations and emergency repairs may require immediate funding, and a re-allocation of funds that forces postponement of programmed projects.
- Project cost estimates can fluctuate, sometimes drastically, due to unpredictable costs of raw materials such as concrete, steel and building supplies.
- Generally, most of the projects in Phase 1 and Phase 2 of the Airport Development Plan and ACIP are airfield, and carry a higher funding priority code than most of the projects identified in the Phase 3 Long-Term (10-20 Years).

#### **7.2.4 Historical Airport Financials**

This section assesses Airport budget information to identify a reasonable expectation for implementation of the 20-year Airport Development Plan projects. Airport budgets for fiscal years 2007 to 2010 were reviewed to identify budget trends, income patterns and major operating revenue and expense factors. No projections or extrapolations were made of the Airport's budget, cash flow or tenant lease revenues.

The Airport operating budgets from fiscal year 2007 and 2010 is summarized by totals and averages in **Table 7-1**, for revenues/expenses, net assets and cash flow.

In general, both operating revenues and operating expenses appear very stable, with only minor annual fluctuations. Operating revenues average about \$1.05 million annually, while operating expenses (excluding depreciation) averages about \$810,000. Nearly 95 percent of the Airport's Operating Revenue is generated from building/hangar rentals. Depreciation averages about \$1.1 million per year, and accounts for about 60 percent of the total operating expenses. Non-operating revenues/expenses, which largely entails federal and state grant revenues, interest earnings, capital gains and transfers, averages about \$1.4 million annually.

In the last four years the Airport has shown an operating surplus. Under this budget scenario, it has also been able to fund its share of necessary capital improvements.

*Table 7-1*  
**HISTORICAL AIRPORT AUTHORITY OPERATING BUDGET SUMMARY**

<b>STATEMENT OF REVENUE AND EXPENSES:</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>Avg. 2007-2010</b>
Operating Revenues	\$ 1,085,372	\$ 1,089,421	\$ 1,153,647	\$ 876,483	\$ 1,051,231
Operating Expenses (Without Depreciation)	\$ 815,096	\$ 815,620	\$ 756,008	\$ 855,572	\$ 810,574
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<b>STATEMENT OF NET ASSETS:</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>Avg. 2007-2010</b>
<b>Total Assets:</b>	<b>\$ 35,905,996</b>	<b>\$ 31,681,956</b>	<b>\$31,980,677</b>	<b>\$ 31,030,899</b>	<b>\$ 32,649,882</b>
Current Assets	3,309,337	1,606,148	1,753,110	3,399,627	\$ 2,517,056
Non-Current Assets	32,596,659	30,075,808	30,227,567	27,631,272	\$ 30,132,827
<b>Total Liabilities</b>	<b>\$ 5,496,282</b>	<b>\$ 3,579,335</b>	<b>\$ 3,892,256</b>	<b>\$ 5,202,966</b>	<b>\$ 4,542,710</b>
Current Liabilities	5,482,995	3,567,525	3,878,474	5,162,412	\$ 4,522,852
Long-Term Liabilities	13,287	11,810	13,782	40,554	\$ 19,858
<b>Total Net Assets</b>	<b>\$ 30,409,714</b>	<b>\$ 28,102,621</b>	<b>\$28,088,421</b>	<b>\$ 25,827,933</b>	<b>\$ 28,107,172</b>
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<b>STATEMENT OF CASH FLOW:</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>Avg. 2007-2010</b>
Cash Flow From Operating Activities	\$ 590,493	\$ 67,985	\$ 235,316	\$ (12,205)	\$ 220,397
Cash Flow From Capital and Financing	\$ (187,369)	\$ (782,353)	\$ (1,886,791)	\$ 1,968,954	\$ (221,890)
Cash Flow From Investing Activities	\$ 109,056	\$ 354,009	\$ (178,861)	\$ 68,641	\$ 88,211
Net Increase (Decrease) in Cash/Equivalents	\$ 512,180	\$ (360,359)	\$ (1,830,336)	\$ 2,025,390	\$ 86,719
Cash/Equivalents - Beginning of Year	\$ 957,216	\$ 1,317,575	\$ 3,147,911	\$ 1,122,521	\$ 1,636,306
Cash/Equivalents - End of Year	\$ 1,469,396	\$ 957,216	\$ 1,317,575	\$ 3,147,911	\$ 1,723,025

The Airport operating revenue statement between fiscal years 2007 and 2010 are presented in **Table 7-2**. On average, the Airport maintains about \$240,000 annually in operating revenue to support the funding of capital projects, along with other Airport maintenance needs. As evidence of net operating revenues and cash flow, the Airport Authority has historically been able to internally manage its finances so that it operates with a surplus of operating revenue over operating expense.

*Table 7-2*  
**HISTORICAL OPERATING REVENUE RESULTS**

<b>FINANCIAL REVENUE SUMMARY (2007 TO 2010)</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>Avg. 07-10</b>
Net Operating Results (Without Depreciation)	\$ 270,276	\$ 273,801	\$ 397,639	\$ 20,911	\$ 240,657
Net Cash Provided by Operating Activities	\$ 590,493	\$ 67,985	\$ 235,316	\$ (12,205)	\$ 220,397

### **7.2.5 Airport Tenants**

Airport tenant lease revenue generates approximately \$1.0 million per year. Nearly 80 percent of the Airport's lease revenue is derived from aviation-related tenants. The 2012 budgeted amounts by major tenant are shown in **Table 7-3**.

*Table 7-3*  
**ANTICIPATED 2012 LEASE REVENUES**

Tenant	2012 Properties	2012 Lease Payments	% Revenue
Kalitta Air	19	\$ 415,668	43%
TIMCO	8	\$ 197,113	20%
Phoenix Composites	6	\$ 147,309	15%
Other - Aeronautical	4	\$ 23,376	2%
Other - Non-Aeronautical	33	\$ 180,256	19%
<b>TOTAL</b>	<b>70</b>	<b>\$ 963,722</b>	<b>100%</b>

Source: Oscoda-Wurtsmith Airport Authority, 2012 Lease Information.

The largest tenants by anticipated 2012 lease revenue are further described below.

- Kalitta Air, L.L.C. – Kalitta Maintenance is based at the Oscoda-Wurtsmith Airport, which is the aircraft repair and maintenance division of Kalitta Air headquartered in Ypsilanti, Michigan. Kalitta Air principally operates a fleet of Boeing 747 aircraft providing scheduled and charter air cargo service to customers around the world. The company has substantial business interests at Oscoda, leasing 19 properties throughout the Airport under staggered lease terms, and totaling nearly \$415,000 in annual rents. Kalitta business operations and flights are expected to expand at Oscoda, as anticipated through internal growth and the emerging demand for the outsourcing of aircraft contract maintenance work. This includes the near-term prospect of constructing another ultra-large ±80,000 square foot MRO hangar comparable to the operations conducted in Hangar #8.
- TIMCO Aviation Services, Inc. – TIMCO is one of the world's largest providers of aircraft repair, modification, and overhaul services. This firm has 8 leases at the Airport and provides lease revenue of nearly \$200,000 annually.
- Phoenix Composite Solutions, L.L.C. – This firm provides repair and development services for aircraft components. This firm has five lease agreements and provides about \$147,000 in rent annually.
- Plastic Trim International – This is a private company based in Dayton, Ohio that supplies exterior automotive parts. Current expectations are that the firm will provide approximately \$75,000 in lease payments in 2012.
- Sage Ordnance Systems Group – A provider of firearm accessories and security products. Current expectations are that the firm will provide approximately \$74,000 in lease payments in 2012.

Overall, existing tenant lease rates are expected to increase in conjunction with common indexes for consumer price inflation. It should be noted that certain tenants are on short-term leases, so rent revenue is constantly changing.

The Airport continually seeks tenants to utilize the Airport’s facilities. However, there is limited developable space along active apron and taxiway areas for the construction of new larger-type commercial hangars. Also, there is a scarcity of functional hangar and building lease space, which is a limiting factor in enhancing additional rental revenues in the future. As of 2011, all of the aircraft hangars were leased and in use. The Airport had only nine vacant buildings available for lease, in which two or more are candidates for demolition. Only one of the vacant buildings is suitable for aviation related parts repair or some other industrial purpose.

### **7.3 POTENTIAL CAPITAL PROGRAM FUNDING SOURCES**

The traditional sources of airport funds for eligible capital projects, and typical percent of funding participation, are shown in **Table 7-4**. As shown, the FAA and MDOT involve multiple funding programs, or sources of funds. The anticipated sources are discussed in more detail below.

*Table 7-4*  
**TRADITIONAL AIRPORT SOURCES OF FUNDS**

Typical Funding Participation			
Grant Program	Federal (FAA) Participation	State (MDOT) Participation	Airport (OWAA) Participation
<b>FEDERAL FUNDING PROGRAMS (FAA)</b>			
FAA State Block Grant Program	95%	2.50%	2.50%
FAA State Apportionment	95%	2.50%	2.50%
FAA Discretionary	95%	2.50%	2.50%
FAA Entitlement	\$150,000 Annually		
<b>STATE FUNDING PROGRAMS (MDOT)</b>			
MDOT Small Airport Grant Program (Low Priority Projects)	-	90%	10%
MDOT 50/50 Grant Program (Maintenance Projects)	-	50%	50%
MDOT Airport Development Loan Program	-	-	100 percent paid by Airport with low interest loan from State of Michigan

#### **7.3.1 Federal Aviation Administration (FAA)**

FAA grants are funded through the Aviation Trust Fund as collected through user-generated taxes (airline passenger tax, aircraft parts and fuel) and distributed in accordance with the FAA Airport Improvement Program (AIP) by entitlement formula or discretionary provisions. FAA Order 5100.38C, “Airport Improvement Program Handbook” provides guidance and sets forth policies and procedures for the administration of the Airport Improvement Program (AIP) by the Federal Aviation Administration (FAA). While the AIP has been reauthorized several times since established by the Airport and Airway Improvement Act of 1982, including the adjustment of the appropriated amount and funding formulas to reflect current national priorities, the basic AIP program has remained essentially the same.

Described below, there are three types of FAA funding sources identified in the Master Plan, as administered by the MDOT-Aeronautics:

- FAA Entitlement – General aviation airports (and commercial service airports with fewer than 10,000 commercial enplanements) receive non-primary entitlements up to \$150,000 per year. FAA entitlement funds provide for 95 percent of the cost of eligible projects with a 5 percent local match required. These funds can be dedicated for AIP-eligible projects per MDOT approval, and can be carried over and accumulate up to four years. It is anticipated that future non-primary entitlements will continue at the current levels for general aviation airports under future aviation FAA re-authorization acts.
- FAA Discretionary – Any remaining AIP funds at the national level not mandated by set-asides or assigned to entitlements are designated as discretionary funds, and may be used for funding eligible FAA projects. Discretionary funds are airport and project specific, and based on the national priority system. Eligible discretionary projects are typically those that enhance airport capacity, address noise, or enhance safety and security, or are directed to certain national project priorities. The more expensive projects in the Airport Development Program and ACIP, such as airfield pavement rehabilitation, are expected to be funded from FAA discretionary funds. Discretionary funds, which vary from year-to-year, provide for 95 percent of the cost of eligible projects with local or state funds providing the 5 percent match. In addition, the sponsor must be able to commence the work on projects using discretionary funds during the same fiscal year as the grant agreement or within 6 months, whichever is later.
- FAA Apportionment – FAA funds made available to states under various conditions, as apportioned based on an area/population formula within the 50 states.

Other FAA funding programs:

- Military Airport Program Funding (MAP) – The MAP provides capital development assistance to civil airport sponsors of former military airports or designated joint-use airports that are included in the FAA's National Plan of Integrated Airport Systems (NPIAS). Designated airports, per an application process through the MAP program, may obtain funds from AIP discretionary set-asides to undertake eligible airport development, including certain types of projects not otherwise eligible for AIP assistance. Such airports may also be eligible to receive grants from other categories of AIP funding. The maximum period of eligibility for any airport to participate in the MAP is five fiscal years following designation. The Oscoda-Wurtsmith Airport was previously eligible for MAP funds, but future funding is not anticipated due to the prior participation.

Cargo Service Airports - Cargo airports share the 3.5 percent of AIP apportionment made available to Cargo Service Airports, proportioned based on cargo aircraft landed weights. Qualified airports include those served by aircraft providing only cargo air transport with a total annual landed weight of more than 100 million pounds ("landed weight" means the weight of aircraft transporting only cargo in intrastate, interstate, and foreign air transportation). Since 1997, the FAA is authorized to make a portion of the cargo funds available to airports not qualifying for these funds, if the Secretary finds the non-qualifying airports will be served primarily by aircraft providing air transportation of only cargo.

The claim that the Oscoda-Wurtsmith Airport, with significant cargo-based maintenance flights, acts as a cargo alternate or diversion of flights from an otherwise large primary or hub airport is the principle justification for obtaining federal cargo funds in the future. However, these funds, possibly available in the future, have not been used in the Master Plan financial analysis.

### **7.3.2 State of Michigan (MDOT-Aeronautics)**

The Michigan Department of Transportation (MDOT) Office of Aeronautics oversees state and federal programs for funding airport planning, construction and maintenance. As an FAA Block Grant State, MDOT-Aeronautics assumes administrative responsibilities related to developing capital improvement plans and administering AIP grant funds (entitlement, apportionment, and discretionary). Under the State Block Grant Program, MDOT-Aeronautics is also tasked with:

- determining program needs and funding
- scheduling, coordinating, and approving airport layout plans
- reviewing and approving environmental documents
- approving and coordinating construction studies
- responding to Congressional inquiries

The following summarizes the four MDOT-Aeronautics state-aid funding programs:

- FAA State Block Grant Program: These FAA funds are distributed to Michigan general aviation (GA) airports in accordance with FAA provisions. A priority system is used to distribute funds in accordance with the degree of need.
- MDOT Small Airport Grant Program: The program provides grants to small airports for eligible projects that would normally be considered low priority through the State Block Grant Program.
- MDOT 50/50 Grant Program: The State of Michigan offers a grant program to assist small airports with maintenance. The terms of the program allow local funds to be matched with State grant funds for projects traditionally not eligible for Federal and other State funding programs.
- MDOT Airport Development Loan Program: assist communities with meeting airport standards, limited to \$100,000 and with low interest rates set by the State of Michigan, Department of Treasury.

In addition to the programs above, the MDOT-Aeronautics also provides funds for state/regional system plan studies, economic impact studies, and air service / marketing support. These studies or grants are designed to have a statewide impact.

### **MDOT-Aeronautics Revenues**

The State of Michigan obtains airport revenues to support aviation programs and services from the sales tax and user fee sources listed in **Table 7-6**, as largely supported through fuel taxes. Some of this revenue is used to provide a portion of the non-Federal matching fund requirement associated with the AIP program. The revenue is also used for the other State funding programs that provide funding to a specific group of airports or for a specific project purpose.

*Table 7-6*  
**MICHIGAN AVIATION TAX REVENUES**

	Rate	Exemptions	
Sales and Use Tax	6%	Fly-Away: No Purchase for Resale (Inventory): Yes Purchase for Resale (Lease): Yes <sup>1</sup> Commercial Operations: Yes Special Use Tax Rules/Exemptions: N/A Trade-In Credit: No Lease Payments (lease with crew): Yes <sup>1</sup> Lease Payments (lease without crew): No <sup>1</sup> Repair Parts: No <sup>2</sup> Repair Labor: Yes	
	Excise Tax	Sales/Use Tax	Exemptions/Refunds
Jet Fuel Tax	.03/gal. <sup>2</sup>	6%	Commercial Flights (scheduled interstate) are entitled to a refund of .015/gal. (excise tax)
	Excise Tax	Sales/Use Tax	Exemptions/Refunds
Aviation Gasoline Tax	.03/gal. <sup>2</sup>	6%	Agriculture flight operations and flight testing are exempt from the sales tax
	Yes/No	How Applied	
Aircraft Registration Fees	Yes	.01/lb applied to the Maximum Gross Weight or Maximum Takeoff Weight (whichever is greater)	
	Tax	How Applied	
Personal Property Tax	Yes	Exempt as long as aircraft is properly registered with the state. The aircraft registration fee shall be in lieu of all property taxes on the aircraft.	

**Notes:**

<sup>1</sup> A registered lessor in Michigan has the option of either paying the sales tax upon acquisition or collecting the 6% use tax on the rental receipts. Must be registered with state.

<sup>2</sup> MCL 205.94k exempts from sales and use taxes aircraft, parts, and materials temporarily in Michigan for the purpose of a sale and pre-purchase evaluation, customization, improvement, maintenance, or repair. The aircraft is to leave the State within 15 days after the sale and completion of any pre-purchase evaluation, customization, or improvement, maintenance, or repair associated with the sale, whichever was later. The aircraft could not be based or registered in the State before or after the sale and completion of any pre-purchase evaluation, customization, improvement, maintenance, or repair associated with the sale. The Michigan Court of Appeals ruled in the matter of Fisher & Company, Inc. v. Department of Treasury, that a Michigan resident purchasing a fractional share in an aircraft is subject to Michigan sales or use tax.

Source: Michigan NBAA State Aviation Tax Report.

## **MDOT-Aeronautics Project Priorities**

MDOT-Aeronautics channels the distribution of FAA Airport Improvement Program (AIP) monies to general aviation airports within the State of Michigan in accordance with project priority and the degree of need. MDOT uses the same ACIP National Priority Rating system used by the FAA for the distribution of AIP grant funds, which is a value generated equation that takes into consideration the airport and project role in accordance with FAA goals and objectives.

The following are the point system assigned for project purpose categories:

Safety/Security = 10pts  
Statutory Emphasis Programs = 9pts  
Planning = 8pts  
Reconstruction = 8pts  
Environment = 8pts  
Capacity = 7pts  
Standards = 6pts  
Other = 4pts

### **7.3.3 Other Sources**

In addition to the traditional sources of capital funds listed above, there are other potential suppliers of money to construct Airport capital improvements. These include tenants and airport users that invest some or all of the funds to build facilities for their benefit. Banks and other sources, often called “third-party” investors, lend money to an airport for improvements with the agreement they will be repaid by user fees.

Previously, the Airport has not extensively utilized external funding. However, these sources may be desirable in the future for select projects in the absence of federal, state and local funds. Certain projects identified in this Master Plan could be funded wholly or in-part with private or third party funding, including:

- Hangar construction
- On-Airport business park development
- Construction of an Aircraft Rescue and Fire Fighting (ARFF) Building
- Tenant building improvements
- Fuel farm improvements
- Roadway and auto parking improvements

The use of economic development funding or tenant investments are common examples of third party funding for non-eligible federal and state project costs. Economic development funds, although feasible for a number of landside project improvements at the Oscoda-Wurtsmith Airport, are somewhat difficult to predict and anticipate as a reliable source of funding.

## 7.4 AIRPORT FINANCING PLAN

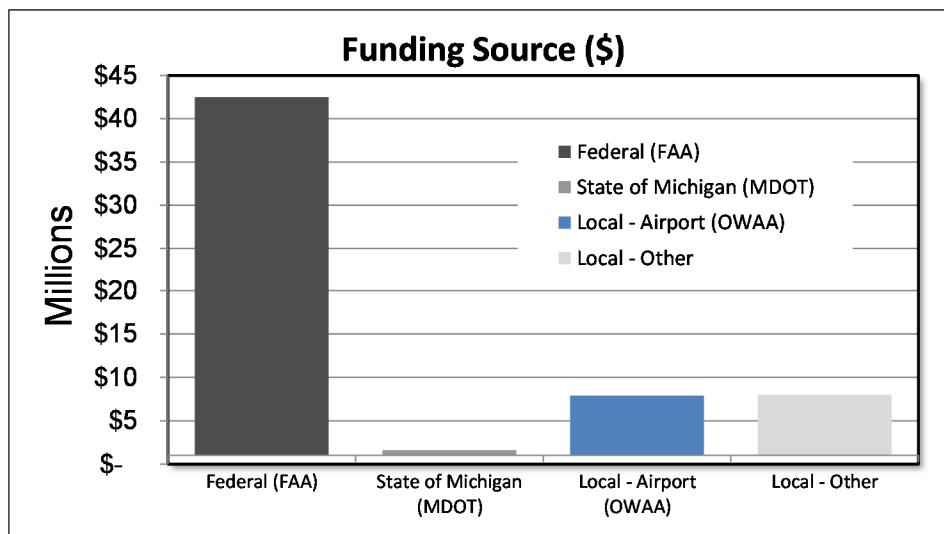
### Project Costs – Airport Master Plan Development Plan

**Table 7-7** summarizes the anticipated funding cost and participation for the Airport’s ten-year Airport Development Plan. This period involves 33 major projects, 42 individual projects at a total cost of nearly \$60 million. The federal share, which includes entitlements, apportionment and discretionary, assumes nearly 70 percent of the allowable funding total. The local Airport share, which includes eligible and non-eligible project costs, totals nearly \$8 million and accounts for 13 percent of the total costs.

*Table 7-7*  
**TEN YEAR CAPITAL IMPROVEMENT PROGRAM SUMMARY**

<b>Master Plan Airport Development Plan FY 2012 to 2022 (1 to 10+ Years)</b>		
<b>Funding Source</b>	<b>Total Project Amount</b>	<b>% Share</b>
Federal (FAA)	\$ 42,500,000	71%
State of Michigan (MDOT)	\$ 1,600,000	3%
Local - Airport (OWAA)	\$ 7,900,000	13%
Local - Other	\$ 8,000,000	13%
<b>Total</b>	<b>\$ 60,000,000</b>	<b>100%</b>

Source: Airport Master Plan (December, 2011).



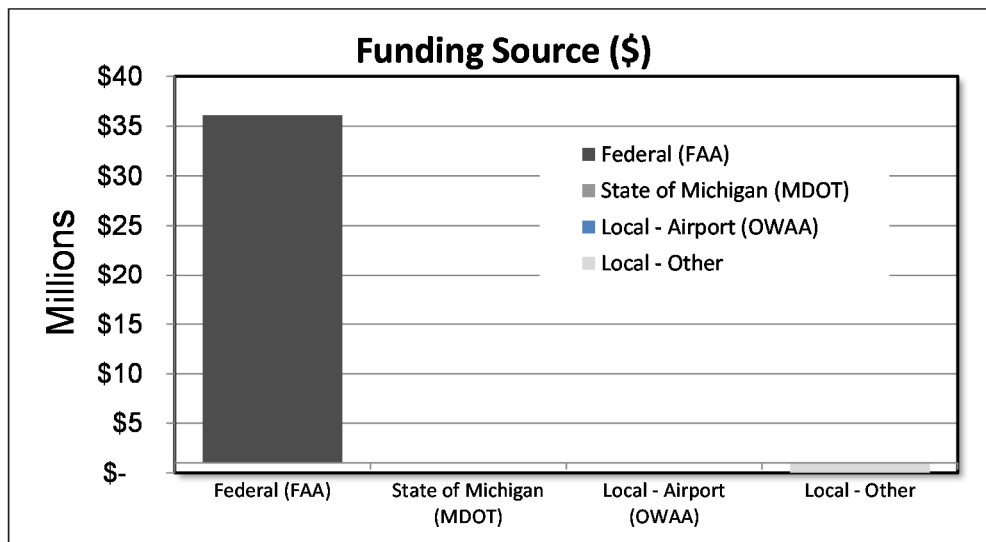
### Project Costs - Airport Capital Improvement Program (ACIP)

**Table 7-8** summarizes the anticipated funding cost and participation for the Airport’s ten-year Airport Capital Improvement Program (ACIP). This period involves 28 individual projects at a total cost of nearly \$37.8 million. The federal share, which includes entitlements, apportionment and discretionary, assumes nearly 95 percent of the allowable funding total. The largest share of federal dollars is anticipated to come from discretionary funding. The local Airport share, which includes only eligible project costs, totals nearly \$950,000 million and accounts for 3 percent of the total costs. The ACIP does not account for ‘other’ third party costs.

*Table 7-8*  
**10-YEAR AIRPORT CAPITAL IMPROVEMENT PROGRAM (ACIP)**

<b>Airport Capital Improvement Program FY 2012 to 2022 (1 to 10+ Years)</b>		
<b>Funding Source</b>	<b>Total Project Amount</b>	<b>% Share</b>
Federal Entitlements	\$ 1,831,990	4.9%
Federal / State Apportionment	\$ 602,360	1.6%
Federal Discretionary	\$ 33,435,750	88.6%
State of Michigan	\$ 943,950	2.5%
Local - Airport	\$ 943,950	2.5%
Local - Other	\$ -	0.0%
<b>Total</b>	<b>\$ 37,758,000</b>	<b>100%</b>

Source: OWAA ACIP (November 29, 2011).



## 7.4.1 Local Project Costs

**Table 7-9** lists the Airport Authority (OWAA) estimated local costs, by planning phase, for all projects in the 10-year airport master plan development program. The total local cost is \$7.9 million, which accounts for 13.2 percent of the total 10-year program costs. The local portion typically ranges between 2.5 and 50 percent. Several projects have high local costs due to limited or non-allowable grant eligibility, including the MRO Hangar (2013-4), Aircraft Rescue and Fire Fighting (ARFF) Building (2018-5), and natural gas line extension (2020-1). The local share of these three projects totals \$6.3 million, or 80 percent of the total 10-year local costs.

Table 7-9  
**10-YEAR LOCAL (OWAA) AIRPORT FUNDING SUMMARY**

Master Plan Project #	Project Identification	\$ Local (OWAA)	% Local (OWAA)	Project Total
<b>PHASE 1 TOTAL</b>		<b>6,085,450</b>	<b>17.0%</b>	<b>35,882,500</b>
2012-1	DESIGN - TWY 'A' & CONNECTOR SAFETY AREA/SHOULDER IMPROVEMENTS - PHASE 3	4,750	2.5%	190,000
2012-2*	CONSTRUCT - TWY 'A' & CONNECTOR SAFETY AREA/SHOULDER IMPROVEMENTS - PHASE 3	67,500	2.5%	2,700,000
2012-3	DESIGN - REHABILITATE IOSCO APRON - PHASE 2	750	2.5%	30,000
2013-1	CONSTRUCT - REHABILITATE IOSCO APRON - PHASE 2	70,000	2.5%	2,800,000
2013-2	DESIGN & CONSTRUCT - SNOW REMOVAL BUILDING (SRE) BUILDING IMPROVEMENTS	12,500	2.5%	500,000
2013-3	DEMOLISH BUILDING #5077 (STORAGE BLDG. EAST OF HANGAR #8)	4,750	50.0%	9,500
2013-4	DESIGN/CONSTRUCT - NEW LARGE MAINTENANCE MRO-TYPE HANGAR (#L1)	5,160,000	43.0%	12,000,000
2013-5	DESIGN/CONSTRUCT - EXPAND DOCK STREET AUTO PARKING - WEST LOT	270,000	50.0%	540,000
2014-1	DESIGN - REHABILITATE RWY 6/24 (11,800' x 200') AND PAVED SHOULDERS	11,250	2.5%	450,000
2014-2	DESIGN & CONSTRUCT - REHABILITATE GA APRON - EAST RAMP (01) - NORTH HANGAR SIDE	23,750	2.5%	950,000
2014-3	REHABILITATE / CRACK SEAL PROJECT - TAXIWAY SYSTEM	1,875	2.5%	75,000
2014-4	UPDATE / UPGRADE AIRFIELD GUIDANCE SIGNS	1,450	2.5%	58,000
2015-1	CONSTRUCT - REHABILITATE RUNWAY 6/24 (11,800' x 200') AND PAVED SHOULDERS	293,750	2.5%	11,750,000
2015-2	INSTALL RWY HIGH EFFICIENCY HIRL EDGE LIGHTING	45,000	25.0%	180,000
2015-3	RWY 6/24 OBSTRUCTION / TREE REMOVAL	20,000	50.0%	40,000
2015-4	PAINT MARKING PROJECT - TAXIWAY SYSTEM	1,875	2.5%	75,000
2016-1	DESIGN - REHABILITATE IOSCO APRON - PHASE 3	750	2.5%	30,000
2016-2	CONSTRUCT - REHABILITATE IOSCO APRON - PHASE 3	74,250	2.5%	2,970,000
2016-3	SNOW REMOVAL EQUIPMENT - 20' BROOM	12,500	2.5%	500,000
2016-4	ESTABLISH PRIMARY AND SECONDARY SURVEY CONTROL	8,750	25.0%	35,000
<b>PHASE 2 TOTAL</b>		<b>1,784,705</b>	<b>7.6%</b>	<b>23,592,200</b>
2017-1	DESIGN - REHABILITATE TWY 'E' - EAST SEGMENT	8,750	2.5%	350,000
2017-2	CONSTRUCT - REHABILITATE TWY 'E' - EAST SEGMENT	86,250	2.5%	3,450,000
2017-3	DESIGN/CONSTRUCT - IOSCO APRON EAST EXPANSION - PHASE 1	94,500	2.5%	3,780,000
2017-4	DESIGN/CONSTRUCT - REHABILITATE FORMER TWY 'J' (NORTH PORTION)	40,500	2.5%	1,620,000
2017-5	PAINT MARKING PROJECT - TAXIWAY SYSTEM	1,875	2.5%	75,000
2018-1	REHABILITATE / CRACK SEAL PROJECT - TAXIWAY SYSTEM	1,875	2.5%	75,000
2018-2	DESIGN - RWY 6/24 RUNWAY SAFETY AREA (RSA)/BLAST PAD IMPROVEMENTS - BOTH RUNWAY ENDS	2,500	2.5%	100,000
2018-3*	CONSTRUCT - RWY 6/24 RUNWAY SAFETY AREA (RSA)/BLAST PAD IMPROVEMENTS - BOTH RUNWAY ENDS	20,625	2.5%	825,000
2018-4	DESIGN & CONSTRUCT - T- HANGAR UNIT / PAVED TAXILANE RAMP	13,125	2.5%	525,000
2018-5	DESIGN-CONSTRUCT - AIRCRAFT RESCUE AND FIREFIGHTING (ARFF) FACILITY	404,500	50.0%	809,000
2019-1	DESIGN - REHABILITATE TWY 'A', 'B' & 'C'	9,250	2.5%	370,000
2019-2	CONSTRUCT - REHABILITATE TWY 'A' & 'C' @ 75' - PHASE 1	66,750	2.5%	2,670,000
2019-3	REHABILITATE / CRACK SEAL PROJECT - TAXIWAY SYSTEM	1,875	2.5%	75,000
2020-1	INSTALL REGIONAL NATURAL GAS SYSTEM - NORTHSIDE	800,000	50.0%	1,600,000
2020-2	CONSTRUCT - REHAB TWY 'A' & 'B' @ 75' - PHASE 2	55,500	2.5%	2,220,000
2021-1	CONSTRUCT - REHAB TWY 'A' @ 75' - PHASE 3	55,500	2.5%	2,220,000
2021-2	INSTALL/REPLACE HIGH EFFICIENCY TWY MITL EDGE LIGHTING	56,250	25.0%	225,000
2021-3	DESIGN - RELOCATE WEST PORTION OF TWY 'E' / REMOVE PAVEMENT	5,000	2.5%	200,000
2022-1	CONSTRUCT - RELOCATE WEST PORTION OF TWY 'E' / REMOVE PAVEMENT	48,750	2.5%	1,950,000
2022-2	DESIGN/CONSTRUCT - REHAB/CRACK SEAL TWY 'D' @ 50' WIDE - SEGMENT A	7,455	2.5%	298,200
2022-3	REHABILITATE / CRACK SEAL PROJECT - TAXIWAY SYSTEM	1,875	2.5%	75,000
2022-4	VAULT UPGRADES / ELECTRICAL IMPROVEMENTS	2,000	2.5%	80,000
<b>Phase 1 and 2 Total</b>		<b>\$7,870,155</b>	<b>13.2%</b>	<b>\$59,474,700</b>

## 7.4.2 Airport Revenue (Cash Reserve) Summary

The Airport Authority maintains, on average in recent years, about \$240,000 annually in operating revenue used to support the funding of capital projects, along with other Airport maintenance requirements. The following provides an outlook of the sufficiency of the local revenues anticipated for the airport development program.

**Table 7-10** identifies the years and projects in which the \$240,000 provides a shortfall of local revenues for supporting the master plan development program. During four fiscal years (2013, 2015, 2018, and 2020), the local annual project costs exceeds (above ↑) the \$240,000 local Airport Authority (OWAA) revenue cash flow, in which alternative or supplemental sources of funding would be needed to provide the anticipated local project share.

**Table 7-11** quantifies the year-by-year comparison of anticipated Airport Authority (OWAA) project costs compared with anticipated cash revenue reserves, for the airport master plan and FAA/MDOT airport capital improvement program. This analysis identified a shortfall of local revenues. The non-eligible/allowable project costs associated with the MRO hangar in 2013, the ARFF building in 2018, and extension of the regional natural gas line to the northside terminal area in 2020 dramatically impacts the 10-year development program.

**Table 7-12** quantifies the year-by-year comparison of anticipated Airport Authority (OWAA) project costs compared with anticipated cash revenue reserves for three scenarios of limited airport master plan developments; associated with the MRO hangar, ARFF building and gas line. As shown in the total column of the table, the Airport Authority would have a sufficient accumulation of local revenues to complete Scenario 1 and 2, but not Scenario 3. This indicates the MRO Hangar and ARFF Building will likely need supplemental local funds or greater agency participation in order to develop these facilities, as planned.

*Table 7-10*  
**10-YEAR LOCAL (OWAA) AIRPORT FUNDING SUMMARY**  
**FY 2012 TO 2022 MASTER PLAN DEVELOPMENT PLAN**

Program Year	Funding Fiscal Year	Total Annual Project Amount	Local OWAA Airport Amount	\$240,000 Budget Sufficiency	Comments
Year 1	FY 2012	\$ 2,920,000	\$ 73,000	↓ Below	
Year 2	FY 2013	\$ 15,849,500	\$ 5,517,250	↑ Above	OWAA Amount \$357,250 Without MRO Hangar
Year 3	FY 2014	\$ 1,533,000	\$ 38,325	↓ Below	
Year 4	FY 2015	\$ 12,045,000	\$ 360,625	↑ Above	Involves Rwy 6-24 Reconstruction Project
Year 5	FY 2016	\$ 3,535,000	\$ 96,250	↓ Below	
Year 6	FY 2017	\$ 9,275,000	\$ 231,875	↓ Below	
Year 7	FY 2018	\$ 2,334,000	\$ 442,625	↑ Above	Involves Rwy 6-24 RSA and ARFF Project
Year 8	FY 2019	\$ 3,115,000	\$ 77,875	↓ Below	
Year 9	FY 2020	\$ 3,820,000	\$ 855,500	↑ Above	Airport Amount \$357,250 Without Gas Line
Year 10	FY 2021	\$ 2,645,000	\$ 116,750	↓ Below	
Year 11	FY 2022	\$ 2,403,200	\$ 60,080	↓ Below	
<b>Total</b>		<b>\$ 59,474,700</b>	<b>\$ 7,870,155</b>		
<b>Annual Average</b>		<b>\$ 5,406,791</b>	<b>\$ 715,469</b>		

↓ Below - Airport Fiscal Year Development Plan Amount Below Typical Annual Operating Budget Amount.  
↑ Above - Airport Fiscal Year Development Plan Amount Above Typical Annual Operating Budget Amount.

Table 7-11  
10-YEAR LOCAL (OWAA) AIRPORT FUNDING SUMMARY

Program Year	Funding Fiscal Year	Total Annual Project Amount	Total Development		FAA/MDOT Capital Program	
			Local OWAA Master Plan Amount	Master Plan Cummulative Carry-Over	Local OWAA ACIP Amount	ACIP Cummulative Carry-Over
2011 Budget Carryover - Estimated			--	\$240,000	--	\$240,000
Year 1	FY 2012	\$2,920,000	\$73,000	\$167,000	\$73,000	\$167,000
Year 2	FY 2013	\$15,849,500	\$5,517,250	-\$5,110,250	\$82,500	\$324,500
Year 3	FY 2014	\$1,533,000	\$38,325	-\$4,908,575	\$38,325	\$526,175
Year 4	FY 2015	\$12,045,000	\$360,625	-\$5,029,200	\$295,625	\$470,550
Year 5	FY 2016	\$3,535,000	\$96,250	-\$4,885,450	\$75,000	\$635,550
Year 6	FY 2017	\$9,275,000	\$231,875	-\$4,877,325	\$96,875	\$778,675
Year 7	FY 2018	\$2,334,000	\$442,625	-\$5,079,950	\$38,125	\$980,550
Year 8	FY 2019	\$3,115,000	\$77,875	-\$4,917,825	\$77,875	\$1,142,675
Year 9	FY 2020	\$3,820,000	\$855,500	-\$5,533,325	\$55,500	\$1,327,175
Year 10	FY 2021	\$2,645,000	\$116,750	-\$5,410,075	\$60,500	\$1,506,675
Year 11	FY 2022	\$2,403,200	\$60,080	-\$5,230,155	\$50,625	\$1,696,050
<b>Total</b>		<b>\$59,474,700</b>	<b>\$7,870,155</b>		<b>\$943,950</b>	
<b>Annual Average</b>		<b>\$5,406,791</b>	<b>\$715,469</b>	<b>-\$4,619,557</b>	<b>\$85,814</b>	<b>\$868,689</b>

Note: OWAA - Oscoda-Wurtsmith Airport Authority (Local Funding)

Table 7-12  
10-YEAR LOCAL (OWAA) AIRPORT FUNDING SUMMARY – LIMITED LOCAL DEVELOPMENT

Program Year	Funding Fiscal Year	Total Annual Project Amount	Scenario 1 * (Minus MRO, ARFF, Gas)		Scenario 2 * (Minus MRO and ARFF)		Scenario 3 * (Minus MRO)	
			Local OWAA Master Plan Amount	Master Plan Cummulative Carry-Over	Local OWAA Master Plan Amount	Master Plan Cummulative Carry-Over	Local OWAA Master Plan Amount	Master Plan Cummulative Carry-Over
2011 Budget Carryover - Estimated				240,000		240,000		240,000
Year 1	FY 2012	2,920,000	73,000	167,000	73,000	167,000	73,000	167,000
Year 2	FY 2013	15,849,500	357,250	49,750	357,250	49,750	357,250	49,750
Year 3	FY 2014	1,533,000	38,325	251,425	38,325	251,425	38,325	251,425
Year 4	FY 2015	12,045,000	360,625	130,800	360,625	130,800	360,625	130,800
Year 5	FY 2016	3,535,000	96,250	274,550	96,250	274,550	96,250	274,550
Year 6	FY 2017	9,275,000	231,875	282,675	231,875	282,675	231,875	282,675
Year 7	FY 2018	2,334,000	38,125	484,550	38,125	484,550	442,625	80,050
Year 8	FY 2019	3,115,000	77,875	646,675	77,875	646,675	77,875	242,175
Year 9	FY 2020	3,820,000	55,500	831,175	855,500	31,175	855,500	-373,325
Year 10	FY 2021	2,645,000	116,750	954,425	116,750	154,425	116,750	-250,075
Year 11	FY 2022	2,403,200	60,080	1,134,345	60,080	334,345	60,080	-70,155
<b>Total</b>		<b>59,474,700</b>	<b>1,505,655</b>		<b>2,305,655</b>		<b>2,710,155</b>	
<b>Annual Average</b>		<b>5,406,791</b>	<b>136,878</b>	<b>473,397</b>	<b>209,605</b>	<b>255,215</b>	<b>246,378</b>	<b>71,352</b>

Limited Development - Excludes or Requires Supplemental Local Funding of Major Master Plan Projects with Extensive Local (OWAA) Funding Outlays: MRO Hangar in 2018 of \$5.1 million, New ARFF Building in 2018 for \$400,000, and Extension of Natural Gas Line to Northside in 2019 for \$800,000.

Note: OWAA - Oscoda-Wurtsmith Airport Authority (Local Funding)

**7.4.3 Airport Entitlement Funding:**

**Table 7-13** summarizes the anticipated FAA entitlement funding applied to specific projects for the Airports 10-year Airport Development Plan and ACIP. During this period, the Airport would be expected to receive \$1.80 million in FAA entitlements, in which projects would consume nearly \$1.8 million. The entitlement schedule indicates sufficient carryover based on continuation of the program at \$150,000 per year.

*Table 7-13*  
**10-YEAR FAA ENTITLEMENT FUNDING SUMMARY**

FAA Entitlement Funds (FY 2010 To 2022)						
Year (Fiscal)	Project Year	Project Phase	Project Description	FAA Entitlement Obligated	FAA Entitlement Received	FAA Entitlement Carryover
2010			NO FAA ENTITLEMENT PROJECTS			\$ 31,990
2011			NO FAA ENTITLEMENT PROJECTS		\$ 150,000	\$ 181,990
2012	2012-1	TWY 'A' PHASE 3	DESIGN - TWY 'A' & CONNECTOR SAFETY AREA/SHOULDER	\$ 180,500	\$ 150,000	\$ 151,490
2013	2013-2	--	DESIGN & CONSTRUCT - SNOW REMOVAL BUILDING (SRE) BUILDING IMPROVEMENTS	\$ 301,490	\$ 150,000	\$ -
2014	2014-3	--	REHABILITATE / CRACK SEAL PROJECT - TAXIWAY SYSTEM	\$ 71,250	\$ 150,000	\$ 23,650
	2014-4	--	UPDATE / UPGRADE AIRFIELD GUIDANCE SIGNS	\$ 55,100		
2015	2015-4	--	PAINT MARKING PROJECT - TAXIWAY SYSTEM	\$ 71,250	\$ 150,000	\$ 102,400
2016			NO FAA ENTITLEMENT PROJECTS		\$ 150,000	\$ 252,400
2017	2017-1	--	DESIGN - REHABILITATE TWY 'E' - EAST SEGMENT	\$ 331,150	\$ 150,000	\$ -
	2017-5	--	PAINT MARKING PROJECT - TAXIWAY SYSTEM	\$ 71,250		
2018	2018-1	--	REHABILITATE / CRACK SEAL PROJECT - TAXIWAY SYSTEM	\$ 71,250	\$ 150,000	\$ -
	2018-4	--	DESIGN & CONSTRUCT - T- HANGAR UNIT / PAVED TAXILANE	\$ 78,750		
2019	2019-1	TWY A, B, C PHASE 1 TO	DESIGN - REHABILITATE TWY 'A', 'B' & 'C'	\$ 78,750	\$ 150,000	\$ -
	2019-3	--	REHABILITATE / CRACK SEAL PROJECT - TAXIWAY SYSTEM	\$ 71,250		
2020			NO FAA ENTITLEMENT PROJECTS		\$ 150,000	\$ 150,000
2021	2021-3	--	DESIGN - RELOCATE WEST PORTION OF TWY 'E' / REMOVE	\$ 190,000	\$ 150,000	\$ 110,000
2022	2022-1	--	CONSTRUCT - RELOCATE WEST PORTION OF TWY 'E' / REMOVE	\$ 188,750	\$ 150,000	\$ -
	2022-3	--	REHABILITATE / CRACK SEAL PROJECT - TAXIWAY SYSTEM	\$ 71,250		
<b>TOTALS</b>				<b>\$ 1,831,990</b>	<b>\$ 1,800,000</b>	<b>\$ -</b>

#### **7.4.4 Airport Project Responsibilities**

Airport capital projects are typically closely coordinated with the MDOT and FAA, particularly when Airport Improvement Program (AIP) funding or NEPA environmental documentation is required. Therefore, in addition to the typical project procurement and execution responsibilities that most Airports address on a wide variety of non-airport projects, additional consideration of FAA requirements is needed for the projects listed in the ACIP. In general, for each project the Airport will be responsible for the following:

- Update the Airport Capital Improvement Program (ACIP) and financial documentation
- Verify the justification supporting the project and request MDOT/FAA participation for projects using AIP funding.
- Assure completion of the necessary environmental processing through agency coordination
- Prepare and submit grant applications
- Prepare and issue a Request For Qualification and selecting the consultant/engineer for the project planning, design, or environmental analysis, as applicable
- Prepare and issue a Request For Proposals and selection for project construction, management, and related construction services; these services may be provided or assisted by the design engineer
- Provide project administration including FAA grant maintenance and close out

Regular coordination with MDOT-Aeronautics and the FAA is important to facilitate and gain acceptance of the responsibilities.

#### **7.4.5 Other Considerations**

The following are other broad considerations as opportunities in successfully implementing the financial plan at the Oscoda-Wurtsmith Airport:

- **Airport Maintenance Obligations** - The Airport contains over 90 buildings (50 southside and 40 northside) which were largely built in the 1950's and 1960's, and are in need of various maintenance and improvements, including roofing, siding/door repairs and pavement repairs. In total, 8 buildings/structures have been identified by the Master Plan as candidates for demolition. The cost of this maintenance/demolition program has not been determined, but will compete for the same Airport revenues used to fund the capital improvement projects.
- **Flexible** – Construction can be accelerated or decelerated as funding becomes available or as other factors influence both the facility and its financial situation. Realistically, projects that are of higher priority may be implemented first, while ones of lesser importance delayed, as necessary, to match available funding. While representative of today's best estimate, the financial plan must be re-evaluated at least annually, typically in conjunction with the ACIP update. Despite that, the figures herein present a reasonable forecast of needed initiatives to implement the Master Plan recommendations.
- **Partial or Staged Funding Is Possible** – In a similar manner, projects can be scaled back in scope or built on an incremental schedule to match the available funding. The runway, taxiway and apron pavement rehabilitation projects are examples of staged implementation, due to the project funding totals, and construction durations.

- **Extenuating Governmental Funding** – In extreme cases, federal, state, and/or local funds may be requested to remedy serious Airport capital and security issues that are beyond the ability of the Airport to fund, or that are beyond the scope of normal airport operations.

## **7.5 SUMMARY**

This financial analysis is based on continued FAA and State funding at current levels. However, there is a competition for FAA funds, so the Airport will need to aggressively market its development plan to MDOT-Aeronautics, FAA and other relevant agencies as opportunities arise. No future debt financing or local taxation is envisioned in funding the Airport projects.

It is anticipated that the Oscoda-Wurtsmith Airport will continue to monitor and evaluate which long-term 10 to 20 year projects are best to accommodate tenant demands, accommodate growth, and meet federal and state requirements. That is, the continued monitoring of the Airport's financial status is necessary to adapt and adjust as conditions change. Therefore, the Airport must continue to prioritize its long-term projects, as well as seek new sources of capital funds, if all proposed projects are to be implemented.