

CHAPTER 8 - FINANCIAL PLAN

8.01 General

This chapter presents a financial plan to support capital improvement decisions and to serve as a guide for orderly development of Erie International Airport. It identifies capital improvement projects, their sequencing, and the possible financial obligations to be assumed by the federal and state government, and the airport sponsor (the Erie Municipal Airport Authority). The objective of this financial analysis is to identify the most likely plan for funding capital improvement projects to the year 2020.

8.02 Capital Improvements

The proposed schedule of capital improvements is presented in Tables 8-1 through 8-4. The tables describe, by phase, the investment required for airport improvements, as shown on the Airport Layout Plan (Figure 7-1). In addition, the proposed airport improvement projects were based on input from the Erie International Airport Master Plan Technical Advisory Committee, the Erie International Airport Citizen Advisory Committee, and comments from local, state and federal representatives. Project costs were based on unit costs developed by the consultant from experience at other airports of similar size in Pennsylvania and surrounding states in the Northeast. For comparative purposes, the estimated costs of capital improvements are stated in 2001 dollars. Therefore, these costs should be considered as foundation planning costs that will likely have to be adjusted regularly to arrive at actual project costs. In most cases, the actual project costs and corresponding budgeted amounts will be greater, to account for varying economic conditions.

The Capital Improvement Program (CIP) is presented in three phases. Phase 1 (2001-2005), Phase 2 (2006-2010), and Phase 3 (2011-2020) are divided into federal, state, private investors and sponsor portions. A majority of the airport improvement projects qualify for Federal Aviation Administration/Airport Improvement Program (AIP) funding. **Based on current legislation**, AIP approved projects are eligible for 90 percent funding. The Commonwealth of Pennsylvania is anticipated to fund an additional 5 percent of eligible project costs. The remaining 5 percent of eligible project costs are to be financed by the airport sponsor (the Erie Municipal Airport Authority). Total investment (i.e., federal/state/sponsor) is estimated to be \$66,640,000 to the year 2020.

8.03 Financing Capital Improvements

The total expected airport improvement costs associated with the implementation of the development program are presented in Tables 8-1 through 8-4. However, the portion of those development costs that must be funded by the airport owner are of a more immediate concern to the implementation of the master plan.

For a majority of airport development projects, airport sponsors are eligible for federal financial assistance through the Airport Improvement Program (AIP). The funds for the AIP are distributed in accordance with provisions contained in the Airport and Airway Improvement Act (the Act). The Airport and Airway Trust Fund, which was established by the Act, provides the revenue used to fund AIP projects.

The Commonwealth of Pennsylvania also contributes towards financing of capital projects. The commonwealth's portion is limited to 50 percent of the non-federally-funded portion of eligible projects in which the Federal Aviation Administration participates. The remaining cost of capital projects is paid with airport sponsor funds or private investment.

**TABLE 8-1
CAPITAL IMPROVEMENT PROGRAM (2001 DOLLARS)
PHASE 1, 2001 - 2005**

Project	Total Cost	Federal Eligible	State Eligible	Private Investor	Sponsor
Safety Area Improvements (Design & Construction)	\$350,000	\$315,000	\$17,500		\$17,500
Terminal Building Renovation	\$2,000,000	\$1,800,000	\$100,000		\$100,000
Rental Car Return & Maintenance Facility (Const.)	Complete				
Expand Rental Car Parking (33 spaces)	\$240,000			\$240,000	
Relocation & Closure of Powell Ave.	PennDot				
Land Acq. & Relocation for R/W Ext.	\$10,000,000	\$9,000,000	\$500,000		\$500,000
Avigation Easement Acquisition for Obstruction Removal	\$850,000	\$765,000	\$42,500		\$42,500
Obstruction Removal (On & Off-Airport)	\$1,000,000	\$900,000	\$50,000		\$50,000
Drainage Improv.(Design & Construct)	\$450,000	\$405,000	\$22,500		\$22,500
Extension of R/W 24 & Parallel T/W A (1920') (Design & Construct)	\$24,000,000	\$21,600,000	\$1,200,000		\$1,200,000
Runway 24 Lighting System Improv.	\$400,000	\$360,000	\$20,000		\$20,000
R/W Extension Perimeter Fencing	\$400,000	\$360,000	\$20,000		\$20,000
Relocate Parallel Taxiway A for R/W 24 (Design & Construction)	\$750,000	\$675,000	\$37,500		\$37,500
Access Taxiway to R/W 6 Threshold (Design & Construct)	\$450,000	\$405,000	\$22,500		\$22,500
Air Traffic Control Tower (Design & Construct)	\$7,000,000	\$7,000,000			
Demolition of Fenestra Bldg.	\$500,000			\$500,000	
Air Cargo Operations Facility (Design & Construction)	\$2,000,000			\$2,000,000	
Environmental Assessment for 5-yr CIP	\$350,000	\$315,000	\$17,500		\$17,500
General Aviation Apron Expansion (Design & Construct)	\$750,000	\$675,000	\$37,500		\$37,500
TOTAL	\$51,490,000	\$44,575,000	\$2,087,500	\$2,740,000	\$2,087,500

Source: C&S Engineers, Inc.

**TABLE 8-2
CAPITAL IMPROVEMENT PROGRAM (2001 DOLLARS)
PHASE 2, 2006-2010**

Project	Total Cost	Federal Eligible	State Eligible	Private Investor	Sponsor
Terminal Building Expansion (Ph. I)	\$2,500,000	\$2,250,000	\$125,000		\$125,000
Terminal Apron Expansion (Design & Construct)	\$900,000	\$810,000	\$45,000		\$45,000
Airport Maintenance Bldg./ARFF Facility (Design & Construct)	\$1,300,000	\$1,170,000	\$65,000		\$65,000
International Trade Center (Design & Construct)	\$2,500,000			\$2,500,000	
Construct Two 10-Bay T-Hangars	\$450,000			\$450,000	
Penn Brass Facility Redevelopment	\$2,000,000			\$2,000,000	
Shorten/Rehabilitation of Runway 2-20 (Design & Construction)	\$750,000	\$675,000	\$37,500		\$37,500
Noise Berm (Design & Construct)	\$500,000	\$450,000	\$25,000		\$25,000
TOTAL	\$10,900,000	\$5,355,000	\$297,500	\$4,950,000	\$297,500

Source: C&S Engineers, Inc.

**TABLE 8-3
CAPITAL IMPROVEMENT PROGRAM (2001 DOLLARS)
PHASE 3, 2011-2020**

Project	Total Cost	Federal Eligible	State Eligible	Private Investor	Sponsor
Terminal Building Expansion (Ph. II)	\$2,000,000	\$1,800,000	\$100,000		\$100,000
Terminal Auto Parking (Design & Construction)	\$500,000	\$450,000	\$25,000		\$25,000
Terminal Apron Expansion (Design & Construction)	\$900,000	\$810,000	\$45,000		\$45,000
General Aviation Area Development (T-Hangars, Apron, Access T/W's)	\$850,000	\$765,000	\$42,500		\$42,500
TOTAL	\$4,250,000	\$3,825,000	\$212,500	\$0	\$212,500

Source: C&S Engineers, Inc.

**TABLE 8-4
CAPITAL IMPROVEMENT PROGRAM (2001 DOLLARS)
SUMMARY**

	Total Cost	Federal Eligible	State Eligible	Private Investor	Sponsor
Phase 1 (2001 - 2005)	\$51,490,000	\$44,575,000	\$2,087,500	\$2,740,000	\$2,087,500
Phase 2 (2006 - 2010)	\$10,900,000	\$5,355,000	\$297,500	\$4,950,000	\$297,500
Phase 3 (2011 - 2020)	\$4,250,000	\$3,825,000	\$212,500	\$0	\$212,500
TOTAL	\$66,640,000	\$53,755,000	\$2,597,500	\$7,690,000	\$2,597,500

Source: C&S Engineers, Inc.

With the existing federal and state airport development programs in mind, the anticipated local sharing of development costs, for the next twenty years, is outlined in Table 8-4. In 2001 dollars, the federal and state shares are projected to total \$53,755,000 (or an average of \$2,687,750 per year) and \$2,597,500 (average of \$129,875 per year) respectively, to the year 2020. The airport sponsor (i.e., the Erie Municipal Airport Authority) share of capital projects is projected at \$2,597,500 (average of \$129,875 per year) for the planning period.

8.04 Conclusions

This chapter has laid out the recommended capital projects and their financial implications for improving Erie International Airport on a development schedule outlined to the year 2020.

This Airport Master Plan has documented the existing aviation need for a commercial service airport in the Erie County area based on existing conditions, business and user surveys (see Appendix G), and informed local, regional and technical opinions, as expressed through the study's Advisory Committees. From today to the year 2020, the continued development of the airport could be influenced by many factors, yet the most basic question remains, **"What is the value of the airport to the Erie County area, and why does the community continue to need to support it?"**

For the community, the value of the airport rests in the community's expectations and vision for the future. In a dynamic economy, one that is growing and developing, aviation can provide a community with one additional asset to assist development, or keep businesses in place. To make the airport "better" entails making it safer, capable of being used year-round under differing weather conditions, and providing services for the air traveler, aircraft storage, maintenance, repair, and refueling. It also means providing an adequate runway system with respect to its length, width, and pavement condition for the types of aircraft that

use it. During the development phases of the airport, new circumstances may arise that could affect the development of the airport either by accelerating development or postponing it. Generally, the pace of the economy and the general aviation industry itself serve as barometers for the pace of aviation demand and growth.

It is sometimes difficult to show the economic benefits of an airport; however, some points can be made based on studies done in Pennsylvania and the rest of the country. It is a fact that small, medium, and large businesses do use airports in many ways. For attracting new businesses into the area, an airport is an important asset if the target firms that are considering the Erie County area are large ones, or firms with other aeronautical needs.

The other major benefit of an airport is its reflection of the community's attitude toward the future. To support an airport reflects a commitment on the part of a community to grow, develop, and meet its economic needs of the future. Many communities feel their airports are a vital piece of infrastructure that has helped them to attract new businesses, allow existing businesses to grow, and keep other businesses from shutting their doors, losing jobs, tax revenues and disrupting the community. Each community makes its own choice. The demand for aviation is either satisfied, shifted to another airport, or alternative means of transport are found. In all these situations, benefits and costs to aviation users are traded with other community priorities and needs.

During the review of this Master Plan, the Airport Advisory Committees evaluated the need and role of the airport in terms of the demand for aviation services. This plan reflects the commitment on the part of the Erie Municipal Airport Authority to support and to improve the airport and maintain its economic benefits to its aviation users and the community.