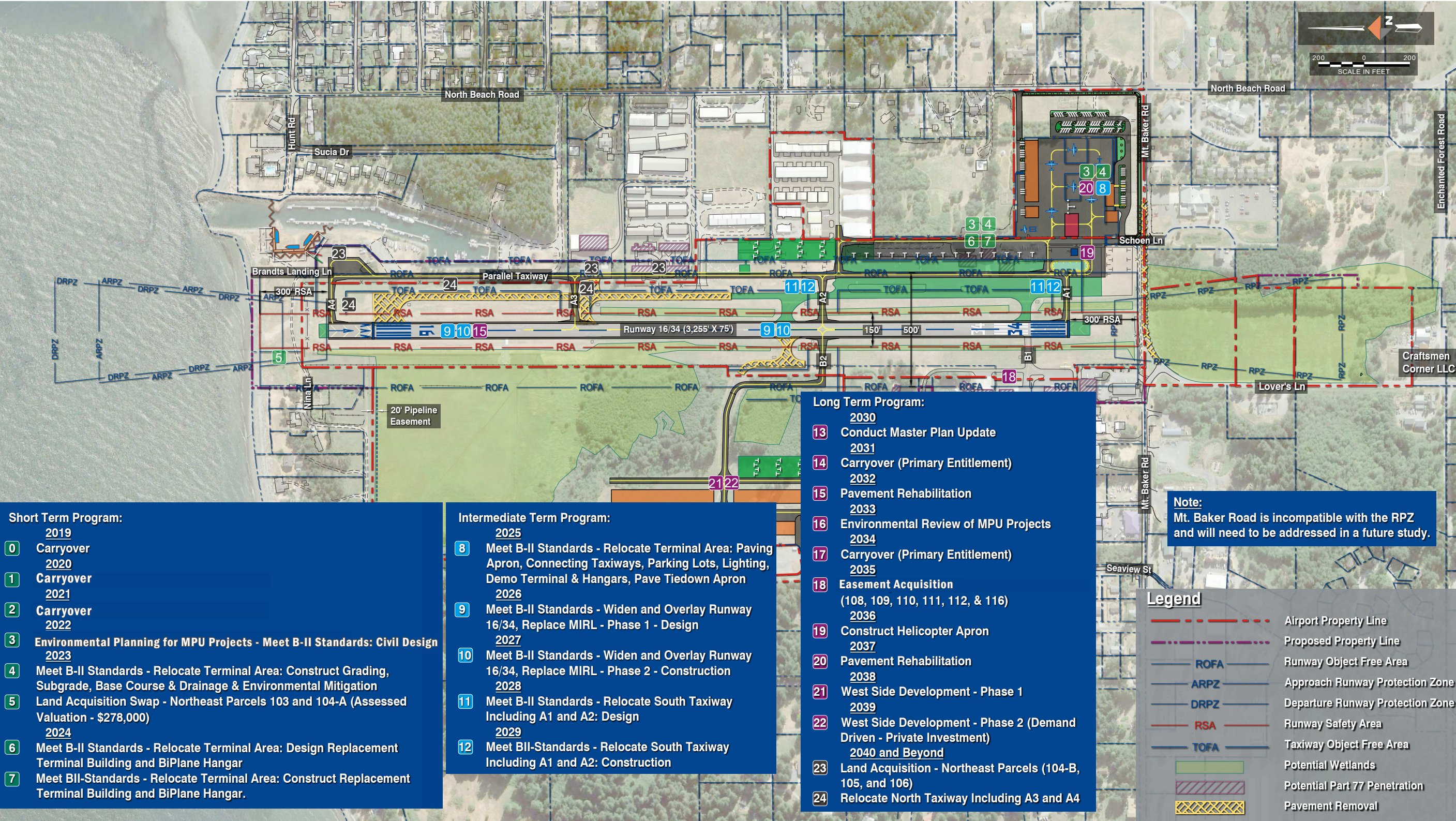




Figure 6.2. Potential Project Phasing



Chapter 6

IMPLEMENTATION PLAN



6.3 SOURCES OF CAPITAL FUNDING

Orcas Island Airport is eligible to receive funding from various sources, including the FAA Airport Improvement Program (AIP) program, the WSDOT Department of Aviation, airport/local funds, local Port match funding, and through other grants from the State of Washington Department of Ecology. It is anticipated that the projects listed within the recommended Orcas Island Airport CIP would be funded through a combination these funding sources, as detailed below.

6.3.1 Federal Funding

The FAA AIP program allows eligible airport sponsors to apply for grants to assist with funding for eligible airport planning, engineering and construction related projects. To be eligible, airport sponsors must be included within the FAA National Plan of Integrated Airport Systems (NPIAS). The NPIAS ensures that only those airports that meet certain minimum qualifications are eligible for federal funding. FAA AIP funds are supplied by the federal Airport and Airway Trust Fund, authorized by Congress. Nearly all of these trust funds are generated by aviation user fees, such as airline ticket taxes and other federal aviation related taxes. Many types of planning and construction projects are eligible for funding through FAA AIP grants, including, master planning, ALP updates, land acquisition, noise mitigation, airfield improvements, airport roadways, public areas of terminal building projects, safety and security systems, planning, environmental, and equipment. Orcas Island Airport is eligible to receive reimbursement up to 90% of eligible costs associated with planning and development projects through the FAA AIP program. The remaining 10% of costs is the responsibility of the sponsor, however, the WSDOT Aeronautics Division will usually allow cost sharing of this remaining 10%, through a 60/40 split.

As part of the inclusion of an airport within the NPIAS, every airport that is non-commercial or has less than 10,000 commercial enplanements per year, (non-primary), is eligible to receive up to \$150,000 in AIP programmed entitlement grant allocations, assuming that the airport CIP reflects a minimum need for that amount. These funds are called Non-Primary Entitlement Funds

(NPEs). All NPIAS airports are also eligible to apply for other types of AIP grant funds, such as state apportionment and discretionary. Unlike NPE funds, these funds are administered and granted on a competitive basis.

6.3.2 State Funding

The Washington State Department of Transportation Aviation Division (WSDOT) provides grant money for airport projects. As is the case with most states, the majority of the state funding is spent on pavement maintenance.

WSDOT's Airport Grant Program is available for any city, Port, airport authority, political subdivision, federally recognized Indian tribe, public corporation, or person(s) that owns and operates, a public-use airport included in the Washington Aviation System Plan (WASP). The maximum amount WSDOT Aviation can award to an individual sponsor in a single grant is \$250,000.

On projects seeking state funds only, the airport sponsor must contribute a minimum 5% match of the entire project cost. For projects receiving federal funds, it has been a long standing practice of the Airport Aid Program to support airports in matching their Airport Improvement Program (AIP) grants. Currently AIP grants require 10% of the project total to come from the airport sponsor. WSDOT supports grants to airports for up to half of their match requirement.

The Washington State Department of Transportation's Airport Aid Program provides an average of \$1,100,000 in state airport grants per year. During the 20-year study period the state grant program is forecasted to average \$1,400,000 per year, resulting in an average annual funding deficiency of \$12,000,000 according to a new study by WSDOT.

The Washington State Department of Ecology (DOE) provides financial assistance programs to support environmental management projects throughout the State.

The Statewide Stormwater Grant Program provides funding for projects that address water quality in the State of Washington and minimize the pollution of surface water and groundwater. The Program has in the past funded 75% of eligible projects. It is expected that the stormwater improvement project be eligible for DOE funding.



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6.3.3 Local Funding

The Orcas Island Airport generates a small amount of revenue each year from fuel sales, and hangar, building and land leases. These revenues fall short of enabling the airport to be a fully self-sustaining entity, and as such, the Airport is supplemented by financial assistance from Port of Orcas. The Airport's fuel sales include general aviation fuel (100LL) sold through a self-service above ground dispensing facility, and Jet fuel (JetA) sold through the Airport's fuel truck when requested. The Airport also receives revenue from leasing airport owned buildings. The Airport owns and leases a number of T-hangars and one box hangar. The Airport also owns and leases the FBO hangar building and office. These facilities all generate monthly revenues. Additional revenues are also generated from ground leases on which tenants have built privately owned hangars. The Airport currently has a number of active ground leases with the potential to double revenues with completion of the newly constructed South taxiway and apron. All of the aforementioned revenues are used to help offset Airport operational and maintenance expenses. Any remaining funds in reserve are eventually used to help pay for the required local share of airport capital and maintenance projects.

6.3.4 Private Funding

Many airports use private 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, fixed base operator (FBO) facilities, fuel storage, exclusive aircraft parking aprons, industrial aviation-use facilities, non-aviation office/commercial/industrial developments, and various other projects. Often, airport funds for infrastructure, preliminary site work, and site access are required to facilitate privately developed projects on airport property.

6.3.5 Airport Generated Revenue Financing

Typically, the revenues generated by airports are used to support the local match of eligible state and federal projects. However, some projects are either non-eligible for state or federal funding participation, or do not compete well for eligible funding. In these cases, the Airport Sponsor would be responsible for 100% of the project cost to implement the proposed development.

In order to determine the ability of Port of Orcas to support its financial needs related to future capital development, the Airport's revenues and expenses are reviewed.

Historical Revenues and Expenses

Airport user fees represent the primary source of revenues typically generated for an airport. User fees refer to charges for the facilities and services provided at the Airport and are most often determined by area market conditions. For Orcas Island Airport, the greatest revenue source is the revenue generated from T-hangars, conventional hangars, hangar space, and land. Other revenue sources include tiedown fees, fuel sales, and other rents and concessions.

Airport operating revenues are offset by operating expenses and referred to as operation and maintenance (O&M) costs. These costs represent the day-to-day costs of operating the Airport. The Port tracks the following O&M costs for Orcas Island Airport as shown in Table 6.4.

Table 6.4 O&M Revenue/Expenses

Annual Revenue	
Landing Fees	\$6K
Airport Land Leases	\$57.2K
Hangar Leases	\$24K
Transient Tiedown Fees	\$750
Rentals	\$10.5K
Fuel Flowage	\$1K
TTF Access Fees	\$3.1K
Other Revenues	\$18.7K
Total Operating Revenue	\$125.8K
Port Property Tax Levy	~\$242K
Leasehold Tax Levy	~\$10.4K
Other Revenues	\$44.8K
Total Non-Operating Revenue	\$297.2K
Total Annual Revenue	\$423K
Annual Expenses	
Budgeted Operating Expenses	\$(279K)
Other Expenses (excluding reserves)	\$(42.3K)
Total Expenses	\$(321.3K)
Balance for Capital Expenditures	\$101.7K

Source: Port of Orcas 2018 Budget