Columbus Airport Commission

FY 2014-15 Annual Report
Prepared by Airport Staff

Adopted: January 27, 2016
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About the Columbus Airport Commission

Under an April 9, 1968 State of Georgia Constitutional Amendment the Columbus Airport Commission is responsible for the operation and maintenance of the Columbus Airport (CSG). The Commission is a stand-alone government entity that funds its operations through airport fees and charges. The Commission exercises its authority through its Airport Director.

Members of the Commission in FY 2015 were:

Mr. Winfield G. Flanagan, Chairman
Mr. Kerry W. Hand, Vice Chairman
Mr. Thomas Forsberg, Treasurer
Ms. Sherry Goodrum, Previous Chair, resigned from Commission in December 2014
Mr. Don Cook, completed term in December 2014
Mr. Carl Rhodes, Jr. appointed to Commission to replace Mr. Cook.
Mr. Chris Badcock, appointed to Commission to fill Ms. Goodrum’s unexpired term

The Airport has 42 employees both full and part time and is organized as follows:

The Commission also has the services of an on-call contract Attorney to address legal matters relating to the Airport and its operation.

CSG is classified by the Federal Aviation Administration (FAA) as a non-hub Primary Commercial Service airport. The airport sits on 680 acres and has two runways. The Commission has over 160 tenant customers. Operational statistics for the airports will be presented later.
Letter from the Director

Dear Reader:

I want to thank you for taking the time to review the Columbus Airport Commission Fiscal Year 2014-15 Annual Report. This is the first time the Commission has issued a report and we plan to make it, well, an annual thing! Its purpose is the same as any other annual report that is to provide financial information, highlight achievements, and reflect on where the Airport has been in the last fiscal year (FY) and where it is going in the future. Beyond that our goal is to also inform you, the reader whether you are a tenant, stakeholder, community leader or member of the public to what the Airport Commission is about, its vision for the Airport, how this vision was realized over the past FY and challenges facing the Commission in the future.

Overall, despite a decrease in our commercial passenger numbers we had a good year financially. This is mostly due to two things, 1) the rate structure being charged to the airlines and 2) the proactive actions of Airport staff to cut expenses. Both these items will be discussed later in this report.

The Commission also had a good year in the grant funding arena. In FY 2014-15, the Commission applied for and was awarded over $2 million for infrastructure and air service development projects.

Internally, my goals this year were to begin empowering staff, breaking down barriers and promoting teamwork. In this effort we have been successful by creating the first Employee Manual, formalized Job Descriptions and most importantly developing a Five-Year Strategic Plan. Together these pieces begin to complete the picture for our staff showing them what is expected, why, where the organization is going and how each person contributes to that direction. As with all things, this is a work in progress but we have an outstanding group of employees that have stepped up to meet all challenges. I can’t begin to thank them enough for all their efforts.

As with all new things, this report is a start of something, not the end. We are not presenting this for ourselves, it is for you. We encourage feedback on the report, its contents or lack thereof, to make it more useful to you. Thank you again for your interest in the Columbus Airport.

Sincerely,

Richard C. Howell

Richard C. Howell, A.A.E.
Airport Director
Vision/Mission/Values

The Commission adopted a new Mission Statement in FY 2013-14. The statement was developed with the input of Airport Staff.

We are a team of professionals representing the Columbus, GA region in a responsible and businesslike manner. The Columbus Airport will be financially self-sustaining, while exceeding expectations for safety and quality service. The team is committed to meeting the air transportation and economic development needs of the community, its customers and partners.

The Commission adopted a new Vision and Values Statements this year with input from Airport Staff.

Vision Statement

Vision defines the optimal desired future state - the mental picture - of what an organization wants to achieve over time. It provides guidance and inspiration as to what an organization is focused on achieving in the future. Collectively staff determined an appropriate vision for the airport and sought Commission approval which was granted.

To set the standard as the hometown airport known to provide airport services and amenities with a personal touch.

Values Statements

Values support the vision, shape the culture and reflect what the organization holds as important. They are the essence of the organization’s identity – the principles, beliefs or philosophy of values. We also discussed of how values impact the organization in decisions making, educating clients and customers and recruiting and retention.

Being direct and open communicators.
Behaving with integrity by being trustworthy, ethical and loyal.
Providing dependable service to all.
Commitment to a fiscally self-sustaining Airport.
Helping others with a cheerful attitude.
Committing to development of knowledge and skills.
Staying focused on the mission.
Energizing the workplace with amusement and humor.
Operational Statistics

Commercial Passengers

The airport saw a modest decline in commercial passengers during the FY. This decline was primarily attributed to frequency reductions from Delta due to pilot shortages at its regional partner ExpressJet that flies the Columbus-Atlanta routes.

<table>
<thead>
<tr>
<th></th>
<th>FY 2014-15</th>
<th>Prior Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enplanements</td>
<td>42,226</td>
<td>42,949</td>
</tr>
<tr>
<td>Deplanements</td>
<td>40,987</td>
<td>42,680</td>
</tr>
<tr>
<td>Total</td>
<td>83,213</td>
<td>85,629</td>
</tr>
<tr>
<td>Overall change</td>
<td>-0.03%</td>
<td></td>
</tr>
</tbody>
</table>

Comparing calendar years, there was a significant drop in enplanements due to American Airlines leaving the region in June 2013 and subsequent reductions in frequency by the remaining carrier, Delta Airlines afterwards.

<table>
<thead>
<tr>
<th></th>
<th>CY 2014</th>
<th>CY 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enplanements</td>
<td>50,883</td>
<td>59,675</td>
</tr>
<tr>
<td>Overall change</td>
<td>-15%</td>
<td></td>
</tr>
</tbody>
</table>

Aircraft Operations

Aircraft operations are tracked by the Columbus Federal Aviation Administration (FAA) Air Traffic Control (ATC) tower. A landing, takeoff or transit through the Airport’s airspace is considered an operation. While the economy is showing signs of improvement, this is not translating locally where aircraft operations were off 21% from the previous FY.

<table>
<thead>
<tr>
<th>CSG</th>
<th>FY 2015</th>
<th>FY 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Itinerant</td>
<td>13,842</td>
<td>15,866</td>
</tr>
<tr>
<td>Local</td>
<td>6,218</td>
<td>9,286</td>
</tr>
<tr>
<td>Military</td>
<td>305</td>
<td>606</td>
</tr>
<tr>
<td>Total</td>
<td>20,356</td>
<td>25,758</td>
</tr>
</tbody>
</table>

|        |        | -21%   |
|        |        |        |
**Fuel Sales**

A substantial metric of the Airport performance is the sales of fuel by Flightways Columbus, a department of the Columbus Airport Commission. Revenue associated with this metric will be presented in the financial section.

<table>
<thead>
<tr>
<th></th>
<th>FY 2014-15</th>
<th>Prior Year</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>AVGAS</td>
<td>97,680</td>
<td>105,980</td>
<td>-8%</td>
</tr>
<tr>
<td>Jet Fuel</td>
<td>591,215</td>
<td>573,293</td>
<td>3%</td>
</tr>
<tr>
<td>Auto</td>
<td>2,812</td>
<td>2,790</td>
<td>1%</td>
</tr>
<tr>
<td>Diesel</td>
<td>1,857</td>
<td>1,615</td>
<td>15%</td>
</tr>
<tr>
<td>Total</td>
<td>693,564</td>
<td>683,678</td>
<td>1%</td>
</tr>
</tbody>
</table>

**Based Aircraft**

As this is the first year we have formally tracked this item what is provided will be a baseline for future reports. Numbers listed were provided to the FAA during the 2015 annual certification inspection.

<table>
<thead>
<tr>
<th></th>
<th>CY 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed Wing</td>
<td>131</td>
</tr>
<tr>
<td>Helicopters</td>
<td>2</td>
</tr>
<tr>
<td>Other</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>133</td>
</tr>
</tbody>
</table>
Air Service

Overview

In the fall of 2014, the Commission made application to the Federal Department of Transportation (DOT) for a Small Community Air Service Development Program Grant. The program is designed to provide financial assistance to small communities in order to help them enhance their air service by addressing air service and airfare issues. The Department provides this assistance in the form of monetary grants that are disbursed on a reimbursable basis. The Commission was awarded $750,000 to develop new routes through an airline revenue guarantee. This was the largest award in this grant cycle. The grant was written by the Commission’s air service consultant, Sixel Consulting Group (SGC) using information provided by the Commission.

In the last FY, airport staff in conjunction with CSG, has participated in sixteen separate meetings with eleven different airlines including all the major carriers except Southwest. We have not met with Southwest due to the airline’s business model which at this time is not conducive to serving the Columbus (CSG) market. The focuses of all these meetings were to recruit service meeting our air service goals:

1. Daily connecting service from CSG to Charlotte, NC.
2. Daily connecting service from CSG to a new major airline hub city.
3. Direct service to Florida, daily or less than daily.

Along with these formal meetings our consultant Sixel Consulting Group has had frequent informal meetings with planners from airlines we are interested in. At this time we are optimistic of a positive outcome to our efforts in the future.

Challenges to Air Service Development

Internal: Airline Cost per Enplaned Passenger (CPE)

One of the biggest challenges to the Commission’s efforts to recruit new air service is the Cost per Enplaned Passenger (CPE) paid by the airlines at the Airport. The CPE is a measurement of the actual costs to an airline to use any particular airport. It includes the following:

- Terminal Rents, Baggage System Fees, Landing Fees, Gate/Apron Fees, Overnight Parking Fees, Terminal Facility Debt, Terminal O&M (Janitorial, Utilities, Etc.) and Loading Bridges Fees to name a few.
The challenge in this area is that the CPE in Columbus is inordinately high. In Federal fiscal year 2013, the national CPE average was $7.50. CPE for the Georgia airports as well as some others are presented below:

<table>
<thead>
<tr>
<th>Airports (Georgia)</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brunswick</td>
<td>$3.00</td>
<td>$3.00</td>
</tr>
<tr>
<td>Bush Field</td>
<td>$6.67</td>
<td>6.87</td>
</tr>
<tr>
<td>CSG</td>
<td>$28.54</td>
<td>$23.98</td>
</tr>
<tr>
<td>Hartsfield-Jackson</td>
<td>$3.36</td>
<td>$3.52</td>
</tr>
<tr>
<td>Savannah</td>
<td>$8.83</td>
<td>$10.02</td>
</tr>
<tr>
<td>SW Georgia Regional</td>
<td>$5.03</td>
<td>$4.95</td>
</tr>
<tr>
<td>Valdosta</td>
<td>$3.05</td>
<td>$2.95</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Airports (Other)</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Birmingham, AL</td>
<td>$12.05</td>
<td></td>
</tr>
<tr>
<td>Nashville, TN</td>
<td>$7.73</td>
<td></td>
</tr>
<tr>
<td>Memphis, TN</td>
<td>$11.22</td>
<td></td>
</tr>
<tr>
<td>White Plains, NY</td>
<td>21.81</td>
<td></td>
</tr>
<tr>
<td>New York Area (Low-High)</td>
<td>25.60</td>
<td>30.29</td>
</tr>
</tbody>
</table>

It is difficult for the Commission to compete for air service with air carrier costs such as these. The grant described above as well as the Commission’s airline incentive program, will allow the Commission to initially offset these costs but definitive action to shift costs away from the airlines is imperative. The action plan for this will be discussed in the Goals section of this report.

External: Pilot Shortage

Another challenge to the Commission’s air service initiative is a pilot shortage issue at the regional operator level. *(Excerpts from Aviation Week and Space Technology, Ask the Pilot blog, and AOPA)*

“The RAND Corp.’s report on pilot supply and demand found that demand for pilots for the major airlines is already above 3,000 pilots per year and will stay between 3,000 and 4,000 per year until the year 2020, when it will then rise to 4,000 to 5,000 pilots per year. The so-called “minors” (defined in the report as including regional carriers plus Part 135 operators) will need more than 5,000 pilots per year by 2018; 6,000 by 2020; and 7,000 by 2021. This should set the scene for the pilot pipeline to work as designed: Regional pilots working for low wages finally get their chance to move quickly up to the big leagues of heavy metal and significantly higher salaries—college and flight school graduates gain access to the right seats of regional jets.*
However this is not working out to be the case pay and working conditions are often terrible at these companies, with salaries starting at around $20,000 annually — sometimes less. Of course these conditions are driven by contract with the mainline carriers that place the regionals in this tenuous position.

“Meanwhile, the FAA is about to enforce tougher hiring standards for entry-level pilots. Meaning it will cost a pilot candidate a lot more to get into a regional carrier pilot seat. An aspiring aviator has to ask, is it worth investing nearly $100,000 into primary training, plus the time it will take to build the necessary number of flight hours, plus the cost of a college education, only to spend years toiling at low-level wages, with a possibility of a shot at moving on to a major airline? For many the answer is no. A growing number of regional pilots are bailing out of the business altogether, and the replacement pool is drying up.”

The industry is seeing flight cancelations at the regional airlines, as many regionals don’t have enough applicants to fill their slots. This was the experience at the Columbus Airport in the summer of 2015 when Delta cut the flight frequencies almost 45% due to the inability of their regional partner ExpressJet to meet its contract commitments as the regional carrier did not have the crews to fly the service.

The industry is working to address this matter, but the issue will continue to adversely impact the Commission’s air service development initiative.
# Financials

Summary for Years Ended June 30, 2014 and 2015

<table>
<thead>
<tr>
<th></th>
<th>Budget 2015</th>
<th>Actual 2015</th>
<th>Actual 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating Revenues</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rental income, landing fees and FBO revenues</td>
<td>4,173,281</td>
<td>4,792,255</td>
<td>4,824,360</td>
</tr>
<tr>
<td>Investment and grant income</td>
<td>50,953</td>
<td>21,544</td>
<td>124,613</td>
</tr>
<tr>
<td><strong>Total revenues</strong></td>
<td>4,224,234</td>
<td>4,813,799</td>
<td>4,948,973</td>
</tr>
<tr>
<td><strong>Operating expenses</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FBO and general and administrative expenses</td>
<td>4,204,834</td>
<td>3,834,458</td>
<td>4,441,227</td>
</tr>
<tr>
<td>Depreciation expense</td>
<td>1,889,741</td>
<td>1,930,251</td>
<td>1,950,641</td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td>6,094,575</td>
<td>5,764,709</td>
<td>6,391,868</td>
</tr>
<tr>
<td><strong>Loss before cash flow adjustments</strong></td>
<td>(1,870,341)</td>
<td>(950,910)</td>
<td>(1,442,895)</td>
</tr>
<tr>
<td><strong>Cash flow adjustments</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Add depreciation expense</td>
<td>1,889,741</td>
<td>1,930,251</td>
<td>1,950,641</td>
</tr>
<tr>
<td>Realized and unrealized gain on investments</td>
<td>40,044</td>
<td>(73,390)</td>
<td></td>
</tr>
<tr>
<td>Capital grants and passenger facility charges</td>
<td>731,006</td>
<td>3,590,713</td>
<td></td>
</tr>
<tr>
<td>Capital asset acquisitions</td>
<td>91,800</td>
<td>(688,420)</td>
<td>(3,788,119)</td>
</tr>
<tr>
<td><strong>Net cash flow before working capital changes</strong></td>
<td>111,200</td>
<td>1,061,971</td>
<td>236,950</td>
</tr>
</tbody>
</table>

Propellers Net Loss for FY 2015 was budgeted to be $73,134. The efforts of Propellers staff resulted in the loss being $46,235. An improvement of $26,899 or 37%.

Flightways net profit for FY 2015 was budgeted to be $70,565. This number was based on the performance in FY 2014. The operation posted a net profit of $279,919, or a 298% improvement year over year.

The Commission ended the year with a $1,066,878 cash reserve.
Annual Goals

Strategic Plan

On July 25, 2015 the Commission adopted a five-year Strategic Plan. Within the plan were developmental and financial objectives with four general strategies to meet the objectives. The Developmental Objectives were:

- Plan for obsolescence
- Initiate five year capital planning forecasts
- Maximize Federal and State funding availability for projects
- Meet all regulatory requirements relating to the plant facilities

The Financial Objectives were:

- Establish 60-90 day operating cash fund ($770,600 to $1.16 million)
- Review and establish debt needs and servicing criteria in keeping with cash flow
- Increase non-aeronautical revenue by 20% (additional $176,000)
- Reduce the CPE by 40% (from $28 to $17)

To achieve these objectives the General Strategies were adopted that were based on the Commission’s Mission, Vision and Values.

<table>
<thead>
<tr>
<th>STRATEGY 1:</th>
<th>Focus on the customers</th>
</tr>
</thead>
<tbody>
<tr>
<td>STRATEGY 2:</td>
<td>Embrace our Mission, Vision and Values</td>
</tr>
<tr>
<td>STRATEGY 3:</td>
<td>Demonstrate Financial Responsibility</td>
</tr>
<tr>
<td>STRATEGY 4:</td>
<td>Improve through innovation</td>
</tr>
</tbody>
</table>

FY2015 Strategic Plan Goal Achievement

While the Strategic Plan had not been adopted many of the goals were being worked on during FY 15 with the following results.

- Liquidity. Starting $466,000 ended at $966,000
- Reduce CPE: Estimated reduction of 15% due to changes in the formula in computing Common Space Usage fee and reduction in Security expenses passed to airline.

FY2016 Strategic Plan Goals

- Liquidity. Starting $966,000 adding another $100,000. Through rental increases and non-aeronautical revenue development.
- Debt needs: Identified at $435,000 to support runway 13/31 renovation and purchase of electronic sign for main entrance monument
- Non-Aeronautical or Non-Airline revenue: $44,000 based on advertising revenue from new sign and kick off of taxi cab permitting process.
Reduce CPE: Estimated reduction of 5% due to changes in the formula in computing Exclusive Space Usage fee and reduction of landing fees

FY 2016 Departmental Goals

As part of the continued commitment to the five year plan, Departmental Goals will be determined as part of the FY 17 budget planning.
Other Accomplishments

FY 2015 Milestones

- Accepted $1.2 million AIP grant to install new perimeter fence and complete wildlife management plan
- Accepted $750,000 Small Community Air Service Development Grant from Federal Department of Transportation
- Accepted $52,315 Georgia Department of Transportation Grant
- Adopted Employee Manual
- Adopted new Vision and Values Statements
- Create and fill new Maintenance Manager Position
- Recruited new Aviation General Consultant- RS&H
- Begin consolidation of Maintenance Departments
- Adopted new hangar lease rates
- Formalized Airport Fee Structure
- Began new Passenger Facility Charge (PFC) Application
- Began Selection Process for new FBO manager
- Awarded Fence Project contract
- Completed Five-Year Strategic Plan

Leases Executed or Modified:
- Piedmont Business College
- TSA
- Air-Evac EMS
- RD Aircraft
- CG Cars LLC

FY 2016 Proposed Projects Goals

- Replace Airport Perimeter Fence.
- Survey safety area to approach end of Runway 6 for possible regulatory inconsistencies.
- Conduct inventory of off-airport obstructions to runway approaches.
- Complete planning and bidding for rehabilitation of Runway 13/31.
- Install new cooling towers in main terminal building.
- Complete terminal energy audit.
- Complete new Passenger Facility Charge (PFC) application.
- Purchase new mowers.
- Purchase new runway sweeper.
- Design a crack repair and seal coat project for Runway 6/24.
- Design rehabilitation to the Runway Safety Area at the approach end of Runway 6.
ATTACHMENT 1:
Adopted FY 2015-16 Budget