GREENVILLE-SPARTANBURG INTERNATIONAL AIRPORT

WINGSPAN 2040

A VISION FOR THE FUTURE

DECEMBER 2019

AIRPORT MASTER PLAN UPDATE

CHAPTER 8: FINANCIAL

McFarland Johnson

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8. Financial

As detailed in Chapter 7, *Implementation Plan*, the Greenville Spartanburg International Airport (GSP or Airport) Master Plan Update (MPU) sets forth a long-range Airport Capital Improvement Plan (ACIP) that can accommodate forecast demand levels at the Airport. This chapter explores the financial implications of implementing the preferred alternative of the MPU in the short-term in the following sections:

- Short-Term ACIP Project Costs
- Airport Financial Analysis
- Summary of Short-Term Capital Program Funding Feasibility
- Airport Governance and Policy Considerations

The focus of the analysis described in the sections that follow is the ability of the Airport to fund the preferred alternative and ACIP projects identified for the short-term.

8.1. SHORT-TERM ACIP PROJECT COSTS

The ACIP for projects at GSP during the short-term period (Fiscal Year (FY) 2019-2023) is summarized in **Table 8-1** showing estimated Federal Aviation Administration (FAA), state, and local shares. These projects represent the highest priority for the Airport over the next five years.

Table 8-1: Short Term Capital Project Costs

Year	Total Cost	FAA	State	Local
2019	$8,900,835	$7,010,852	$389,492	$1,500,492
2020	$46,347,555	$17,718,143	$984,341	$27,645,071
2021	$41,173,783	$12,623,681	$701,316	$27,848,786
2022	$23,689,075	$8,226,743	$457,041	$15,005,291
2023	$12,545,280	$10,598,972	$588,832	$1,357,477
Total Short-Term	**$143,402,173**	**$56,178,389**	**$3,121,022**	**$84,102,762**

Source: McFarland Johnson, 2018

As shown in **Table 8-1**, the estimated local match for approved projects in the ACIP surpasses $73.3 million through 2023. The local share is significant due to the focus on projects that are non-eligible during the short-term. Notably, about $57 million of the local need (78 percent) is comprised of projects associated with passenger parking, employee parking, and airport access roadways.

The breakdown of eligible project funding represents an FAA share of 90 percent through the FAA Airport Improvement Program (AIP), and state and local shares each of five percent. To obtain FAA funding for these projects, the Sponsor must submit and/or update its five-year ACIP to the FAA on an annual basis. The annual ACIP update process is the FAA's mechanism for prioritizing its funding program on a state-wide basis and considers system-wide issues such as safety and capacity.

8.2. AIRPORT FINANCIAL ANALYSIS

This section describes and summarizes the analysis performed to determine the feasibility of funding the short term ACIP at GSP. The analysis begins with an assessment of the Airport's general financial strength and revenue streams, transitions to highlight historical performance and trends, and concludes with forecasts of future financial performance under two scenarios: a baseline condition and the preferred development alternative. The analysis is presented in the following sections:

- Airport Revenues from Lease Agreements and Tenant Fees
- Historical Operating Revenues and Expenses
- Forecast of Baseline Airport Operating Financial Performance
- Forecast of Preferred Development Operating Financial Performance

8.2.1. Airport Revenues from Lease Agreements and Tenant Fees

Aeronautical operators at GSP are obligated to pay to the Airport a variety of charges and fees associated with their activities. Charges and fees are based on rates established by the Airport District but also are subject of negotiation with operators. Rates and charges of fees at airports can vary, but often consist of the following:

- Rent for Terminal, Hangars, Parking, and Building Facilities
- Rent for Undeveloped Land
- Aircraft Landing Fees, Parking/Ramp, and Tie-Down Fees
- Commissions on Fuel Flowage, Operating Revenues, Aircraft Managed/Brokered/Sales

Land and facilities at GSP represent some of the Airport's most valuable assets for revenue generation. This is evidenced by the portion of operating revenues generated by airside facility use fees, rent payments made to the Airport by tenants of existing facilities, and revenues generated by concessionaires in the terminal. For this analysis, revenues from passenger parking, various ground transportation services (as detailed below), and expense reimbursements are not included so that the strength of GSP revenue generation direct from aeronautical operators can be assessed. A snapshot of operating revenues anticipated from facility rents and tenant fees budgeted for FY 2019 is presented in **Table 8-2**.

Table 8-2: Snapshot of Facility Rents & Tenant Fees

Facility Rents and Tenant Fees	FY 2019 Budgeted Revenues
Landing and Other Airside Fees	$3,202,640
Space and Ground Rental Fees	$10,927,865
Concessions and Other Revenue1/	$4,895,360
Total1/	$19,025,866
FY 2019 Budget Operating Revenues	$40,761,296
Percentage of FY 2019 Operating Budget	47%

Source: Airport Management, 2018.

1/Revenues from passenger auto parking, ground transport/limo/Uber/Lyft and expense reimbursements are not included. Revenues from FBO are shown in Table 8-3.

As indicated, revenues generated by facilities at GSP and tenant business activity that drive fees represent 47 percent of the Airport's operating revenues. These revenue streams are critical to the long-term financial performance of the Airport, especially as it relates to the sponsor's ability to self-fund or finance the short- and long-term ACIP.

In addition to the revenue streams described above direct from airline and non-airline aeronautical operators at GSP, the Airport District has diversified business operations to include functioning as a fixed-base operator (FBO) supporting both general and commercial aviation, to include air cargo services, on the Airport. These growth initiatives strengthen the position of the Airport District to capture revenues normally realized by private interests at most commercial service airports. A snapshot of FBO and cargo activities' contributions to GSP operating revenues is summarized in **Table 8-3**.

Table 8-3: Snapshot of FBO Operations Revenue Streams

FBO Revenue Stream	FY 2019 Budgeted Revenues
Aircraft Deicing	$56,000
Aircraft Ground Handling - Passenger	$75,000
Ground Aircraft Handling	$1,069,233
Warehousing Fees	$1,179,695
Lease Income	$411,526
Ground Support Income	$104,032
Gross Profit from Fuel Sales	$4,137,551
Total	$7,033,037
FY 2019 Budget Operating Revenues	$40,761,296
Percentage of FY 2019 Operating Budget	17%

Source: Airport Management, 2018.

As shown in **Table 8-3**, several FBO activities at the Airport are anticipated to account for approximately 17 percent of budgeted operating revenues at GSP for FY 2019.

Together, the traditional sources of revenue summarized in **Table 8-2** and additional revenue streams shown in **Table 8-3** consist of more than 70 percent of GSP operating revenues. The remaining 30 percent of operating revenues are generated by passenger parking, which is budgeted at roughly $12.7 million for FY 2019.

8.2.2. Historical Operating Revenues and Expenses

Historical revenue and expense statements for GSP was provided by Airport Management for the 2013-2017 period. This information gives some indication of trends that can be useful for forecasting future financial performance. **Table 8-4** shows the historical revenues and expenses as documented in the audited financial statements for each respective year.

Table 8-4: Historical Operating Revenues and Expenses

Category	2013	2014	2015	2016	2017	AAGR
Operating Revenues						
Landing & Other Airside Fees	$2,241,484	$2,994,349	$2,918,915	$2,956,934	$3,222,021	9.5%
Space & Ground Rental Fees	$6,526,942	$8,011,832	$8,053,184	$8,709,634	$8,811,883	7.8%
Concessions Revenue	$12,383,451	$12,597,222	$13,342,259	$14,178,162	$16,314,117	7.1%
Expense Reimbursements	$668,066	$1,024,100	$1,112,448	$1,272,775	$1,268,283	17.4%
Other Revenue	$1,117,666	$1,057,549	$1,257,319	$1,247,052	$1,922,952	14.5%
Gross Profit on Fuel	-	-	-	-	$1,906,452	-
Total	**$22,937,609**	**$25,685,052**	**$26,684,125**	**$28,364,557**	**$33,445,708**	**9.9%**
Operating Expenses						
Airfield	$26,563	$273,926	$223,299	$293,485	$260,000	76.9%
Terminal Building	$1,782,034	$1,725,825	$2,218,801	$2,305,357	$2,370,823	7.4%
Administrative	$3,816,812	$4,120,058	$4,787,066	$5,034,654	$6,646,015	14.9%
Maintenance & Operations	$2,973,643	$3,104,747	$3,177,589	$3,080,767	$3,328,118	2.9%
Fire & Crash Department	$1,007,352	$1,040,878	$1,106,173	$1,044,790	$1,155,122	3.5%
Security	$1,021,931	$1,160,393	$1,242,102	$1,125,601	$1,216,434	4.5%
Other Direct Expenses	$1,660,421	$1,653,514	$1,870,713	$1,957,495	$4,061,604	25.1%
Loss on Disposal of Assets	$59,975	$2,027,434	$490,095	$195,388	$3,581	-50.6%
Depreciation	$9,657,926	$10,050,973	$9,725,558	$10,129,258	$10,846,378	2.9%
Pension	$533,700	$585,900	$689,240	$833,525	$1,177,925	21.9%
Total	**$22,540,357**	**$25,743,648**	**$25,530,636**	**$26,000,320**	**$31,066,000**	**8.4%**
Net Income/ (Deficit)	**$397,252**	**($58,596)**	**$1,153,489**	**$2,364,237**	**$2,379,708**	**56.4%**

Source: Airport Management, 2017.

As shown in **Table 8-4**, operating revenues at GSP have increased more than $10.5 million between 2013 and 2017, which represents an average annual increase of nearly 10 percent for the period. The highest-performing revenue categories were concessions, space and ground rental, and gross profit on fuel sales, which account for 77 percent of the revenue increases. Notably, profit on fuel sales represents only partial year income from Cerulean operating the Airport FBO.

During the same period, operating expenses increased at an average annual rate of more than eight percent. The primary drivers of Airport expense increases during the period were those associated with administrative, other direct expenses, and depreciation.

8.2.3. Forecast of Baseline Airport Operating Financial Performance

The baseline forecast for future revenues and expenses at GSP represents a scenario that assumes all current operating conditions remain the same. While this may be somewhat unrealistic, such a forecast represents a benchmark or snapshot in time that can be used as a measure for the performance of recommended alternatives. Therefore, the baseline forecast does not consider improvements to the Airport's financial performance that may occur through the implementation of the preferred development plan or other economic shifts that could alter recent trends. The baseline forecast is for operating revenues and expenses during the 5-year, FYs 2019-2023 period. Assumptions used in developing the baseline forecast included the following:

- Source of Base Year Financial Data: The baseline forecast utilizes GSP audited financial statements for the FY 2013-2018 period and operating revenue and expense budgets for FY 2019. Audited financial statements are used to identify trends regarding growth or decline in revenues and cost centers. The baseline forecast utilizes these trends to project financial performance from the FY 2019 budget, which is considered the base year for the forecast represents the Airport's best estimate for that year.

- Baseline Forecast Rates of Growth: As a rule, baseline financial forecasts are crafted with a conservative outlook on revenue generation. This is because revenues from aircraft operations (e.g., landing fees) and passenger activity (e.g., paid parking or terminal concessionaire sales) are variable - driven by external forces such as airlines and overall economic health and the passenger market. Despite this variability on the revenue side of the ledger, GSP must sustain operations and a facility in good condition, with a level of staffing, equipment, and readiness that can respond to changes in the passenger market.

  Guided by this forecast principle, the FY 2019 budgets for operating revenues and expenses at GSP were reviewed with Airport District leadership to identify anticipated changes in activity within revenue and expense centers. For example, revenues from landing and other airside fees and space and ground rental fees were expected to track in line with historical growth trends identified in Table 8-4. However, revenues from non-tenant fees such as Uber/Lyft operators are expected to increase by more than five times, ground aircraft handling by three times, and gross profit on fuel sales by 50 percent. To balance such a wide range of anticipated growth, the Baseline Forecast of revenues normalized average annual growth rates to be within 6.5 – 8 percent through the five-year period to remain conservative.

  Operating expenses were also anticipated to experience a wide range of activity in the FY 2019 budget, with professional services expenses decreasing by over 17 percent, and costs related to rentals and leases to more than double. As with operating revenues, the Baseline Forecast normalized annual growth rates to be just over five percent for the period.

  Overall, the normalization of growth rates in the Baseline Forecast maintained the same relationship of operating revenues to expenses shown in Table 8-4 for the historical period, which shows annual operating revenues tracking at about 1.5 - 2 percent ahead of operating expenses.

The baseline projection of revenues and expenses through FY 2024 and is detailed in **Table 8-5**.

Table 8-5: Baseline Forecast of Airport Operating Financial Performance

Category	2019	2020	2021	2022	2023
Operating Revenues					
Landing & Other Airside Fees	$3,202,640	$3,475,000	$3,770,522	$4,091,176	$4,439,099
Space & Ground Rental Fees	$10,927,865	$11,075,000	$11,224,116	$11,375,239	$11,528,397
Concessions Revenue	$17,401,439	$18,825,000	$20,418,617	$22,208,084	$24,223,493
Expense Reimbursements	$1,656,479	$1,750,000	$1,848,801	$1,953,181	$2,063,453
Other Revenue	$3,435,324	$4,010,111	$4,234,071	$4,475,082	$4,735,033
Gross Profit on Fuel	$4,137,550	$4,885,000	$5,373,500	$5,910,850	$6,501,935
Total	**$40,761,297**	**$44,020,111**	**$46,869,627**	**$50,013,611**	**$53,491,410**
Operating Expenses					
Salary & Benefits	$14,080,805	$14,714,441	$15,376,591	$16,068,537	$16,791,621
Professional Services	$526,105	$552,410	$580,031	$609,032	$639,484
Promotional Activities	$1,526,645	$1,595,344	$1,667,135	$1,742,156	$1,820,553
Administrative	$1,499,228	$1,604,174	$1,716,466	$1,836,619	$1,965,182
Insurance	$679,051	$732,696	$790,579	$853,034	$920,424
Contractual Services	$4,300,536	$4,494,060	$4,696,292	$4,907,626	$5,128,469
Rentals & Leases	$519,490	$555,854	$594,764	$636,398	$680,945
Repairs & Maintenance	$824,878	$890,043	$960,357	$1,036,225	$1,118,087
Supplies & Equipment	$1,533,212	$1,640,537	$1,755,374	$1,878,250	$2,009,728
Utilities	$1,908,549	$2,042,148	$2,185,098	$2,338,055	$2,501,719
Total	**$27,398,498**	**$28,821,706**	**$30,322,686**	**$31,905,932**	**$33,576,212**
Net Income/(Deficit)	**$13,362,799**	**$15,198,405**	**$16,546,940**	**$18,107,680**	**$19,915,199**

Source: McFarland Johnson, 2018.

As shown, total baseline operating revenues might be anticipated to grow from approximately $40.8 million in 2019 to nearly $53.5 million by 2023. During the same period, baseline operating expenses are forecast to increase from about $27.4 million to over $33.5 million in 2023. A summary of the baseline operating forecast is presented in **Table 8-6**.

Table 8-6: Baseline Net Operating Income/(Deficit) Summary

Year	Baseline Operating Revenues	Baseline Operating Expenses	Net Operating Income
2019	$40,761,297	$27,398,498	$13,362,799
2020	$44,020,111	$28,821,706	$15,198,405
2021	$46,869,627	$30,322,686	$16,546,940
2022	$50,013,611	$31,905,932	$18,107,680
2023	$53,491,410	$33,576,212	$19,915,199

Source: McFarland Johnson, 2018.

This forecast represents cumulative net operating income of more than $83.1 million for the period before depreciation, pension expense, and any losses on the disposal of assets.

8.2.4. Forecast of Preferred Development Operating Financial Performance

The Airport District has programmed several much-needed parking facility projects into the short-term ACIP detailed in *Chapter 7, Implementation Plan*. This section forecasts the impact of these projects to the Airport's financial performance and are programmed to take affect within the 5-year period as shown in **Table 8-7.**

Table 8-7: Forecasted Activities Implementation Timeline

Project	2019	2020	2021	2022	2023
Expansion of Air Cargo Apron	-	-	✓	✓	✓
Construction of Garage C Parking Facility	-	-	✓	✓	✓
Expansion of Existing Economy Parking Lot	-	-	-	-	✓
Construction of New Economy Parking Lot	-	-	-	-	✓

Source: McFarland Johnson, 2018.

The following input assumptions regarding development projects and associated activity were utilized to estimate increases to GSP operating revenues for the short-term period (FY 2019-2023):

- **Revenues from Expanded Air Cargo Apron and Land Lease:** The forecast assumes that the expanded air cargo apron described in the Airport CIP in *Chapter 7, Implementation Plan,* can accommodate three widebody air cargo aircraft (747-400F/8F or similar) simultaneously, and that cargo tonnage and operations will increase annually as detailed in *Chapter 3, Forecasts*. It is assumed that construction will occur in 2020, with impacts to landing fee revenues beginning in 2021. As a conservative measure, the existing landing fee rate of $1.58 per 1,000 pounds of landed weight was used in the forecast rather than incorporating another assumption about the landing fee rate in 2021. Following these assumptions, landing fees are forecast to increase by about $500,000 in 2021 to roughly $555,000 in 2023 in concert with a steady increase of 300 operations annually over baseline levels.

  Also included is an estimate that a ground lease for a cargo hangar and associated auto parking will produce approximately $180,000 in rental payments beginning in year 2023. The estimate assumes a 400,000-square-foot site will lease at a rate of $0.45 per square foot.

- **Revenues and Expenses from Added Passenger Auto Parking Facilities:** The forecast assumes that revenues from passenger auto parking will increase in concert with increasing enplanement levels detailed in *Chapter 3, Forecasts.* The addition of three parking facilities described in the Airport CIP in *Chapter 7, Implementation Plan,* will consist of approximately 2,250 parking spaces: Garage C (1,500 spaces), expanded existing economy lot (250 spaces), and a new economy lot (500 spaces). The forecast estimates revenues from these facilities by utilizing net revenue per parking space contained in the GSP FY 2019 approved operating budget. This is a reasonable metric for forecasting auto parking revenues because it normalizes budgeted revenues across a variety of existing parking facilities and parking duration, some of which command a premium over economy rates and make forecasting parking receipts per passenger complex. Following these assumptions, parking revenues are forecast to increase from $1.5 million in 2021 to more than $7.2 million in 2023.

The forecast also incorporates the Airport District's estimates for operations and maintenance of these new parking facilities, including the operation of a shuttle bus to service the new economy parking lot. Operating and maintenance expenses for these facilities are forecasted to grow from $656,000 in 2021 to more than $1.8 million in 2023.

Table 8-8 presents a forecast of enhanced operating financial performance for GSP based upon these assumptions.

Table 8-8: Forecast of Preferred Development Operating Financial Performance

Category	2019	2020	2021	2022	2023
Operating Revenues					
Landing & Other Airside Fees	$3,202,640	$3,475,000	$4,273,334	$4,619,889	$4,995,047
Space & Ground Rental Fees	$10,927,865	$11,075,000	$11,224,116	$11,375,239	$11,528,397
Concessions Revenue	$ 17,401,439	$ 18,825,000	$ 21,942,036	$ 26,915,450	$ 31,491,670
Expense Reimbursements	$1,656,479	$1,750,000	$1,848,801	$1,953,181	$2,063,453
Other Revenue	$3,435,324	$4,010,111	$4,234,071	$4,475,082	$4,915,033
Gross Profit on Fuel	$4,137,550	$4,885,000	$5,373,500	$5,910,850	$6,501,935
Total	**$40,761,297**	**$44,020,111**	**$ 48,895,858**	**$ 55,249,691**	**$ 61,495,534**
Operating Expenses					
Salary & Benefits	$14,080,805	$14,714,441	$15,376,591	$16,068,537	$16,791,621
Professional Services	$526,105	$552,410	$580,031	$609,032	$639,484
Promotional Activities	$1,526,645	$1,595,344	$1,667,135	$1,742,156	$1,820,553
Administrative	$1,499,228	$1,604,174	$1,716,466	$1,836,619	$1,965,182
Insurance	$679,051	$732,696	$790,579	$853,034	$920,424
Contractual Services	$4,300,536	$4,494,060	$4,696,292	$4,907,626	$5,128,469
Rentals & Leases	$519,490	$555,854	$594,764	$636,398	$680,945
Repairs & Maintenance	$824,878	$890,043	$1,616,687	$2,821,333	$2,956,748
Supplies & Equipment	$1,533,212	$1,640,537	$1,755,374	$1,878,250	$2,009,728
Utilities	$1,908,549	$2,042,148	$2,185,098	$2,338,055	$2,501,719
Total	**$27,398,498**	**$28,821,706**	**$30,979,017**	**$33,691,040**	**$35,414,873**
Net Income/(Deficit)	**$13,362,799**	**$15,198,405**	**$17,916,841**	**$21,558,651**	**$26,080,661**

Source: McFarland Johnson, 2018.

As shown in **Table 8-8**, enhanced financial performance of the Airport can produce increases to net income, with performance over baseline beginning in 2021 as revenue-producing activities are implemented. The forecast represents for a cumulative impact of nearly $11 million over the Baseline Forecast, with cumulative net income before depreciation, pension expense, and losses on disposal of assets of more than $94 million. A summary of the Airport's operating financial performance forecast under the preferred alternative is presented in **Table 8-9**.

Table 8-9: Forecast of Airport Operating Financial Performance – Preferred Alternative
Net Operating Income/(Deficit) Summary

Year	Preferred Operating Revenues	Preferred Operating Expenses	Net Operating Income
2019	$40,761,297	$27,398,498	$13,362,799
2020	$44,020,111	$28,821,706	$15,198,405
2021	$48,895,858	$30,979,017	$17,916,841
2022	$55,249,691	$33,691,040	$21,558,651
2023	$61,495,534	$35,414,873	$26,080,661

Source: McFarland Johnson, 2018.

8.3. SUMMARY OF THE SHORT-TERM CAPITAL PROGRAM FUNDING FEASIBILITY

The purpose of this section is to determine the Airport's ability to fund the local match of FAA-approved projects in the short-term, 5-year period. As stated at the outset of this chapter and shown in **Table 8-1**, the short-term local funding need is just over $73.3 million. Based on the forecast presented in **Table 8-10**, net operating income is forecasted to surpass $94.1 million during the same period. While these estimates indicate a net surplus for the 2019-2023 period, this includes assumptions about project funding eligibility under the AIP program and a large number of significant landside roadways, parking, FBO, and terminal improvements that are anticipated to be self-funded by the Airport District.

Table 8-10 presents a summary of forecasted financial performance for GSP that includes non-operating revenues and expenses such as state and federal capital grants, PFC collections, and PFC program application/administration. Non-operating expenses include the Airport District's share of AIP eligible and non-AIP, self-funded projects. Revenue from PFC collections is based upon forecasted revenue enplanements for the period as presented in *Chapter 3, Forecasts*, and is proposed to be restarted in 2020.

Table 8-10: Estimated ACIP Short Term Local Funding Need &
Capital Funding Feasibility

Source	2019	2020	2021	2022	2023	Total
Preferred Development Operating Performance						
Net Operating Income	$13,362,799	$15,198,405	$17,916,841	$21,558,651	$26,080,661	$94,117,357
Non-Operating Revenues						
PFC Collections	-	$4,907,930	$5,028,424	$5,151,877	$5,278,361	$20,366,592
State Capital Grant Received	$389,492	$984,341	$701,316	$457,041	$588,832	$3,121,022
Federal Capital Grants Received	$7,010,852	$17,718,143	$12,623,681	$8,226,743	$10,598,972	$56,178,389
Total	$7,400,343	$23,610,414	$18,353,421	$13,835,661	$16,466,164	$79,666,003

Source	2019	2020	2021	2022	2023	Total
Operating Income, PFC Collections & Grant Revenues						
Net Revenues	$20,763,142	$38,808,818	$36,270,262	$35,394,312	$42,546,825	$173,783,360
Non-Operating Expenses						
PFC Application & Ongoing Administration	$45,000	$15,000	$15,000	$15,000	$15,000	$105,000
Professional Services	$1,615,000	$3,768,680	$5,842,520	$2,850,000	$9,429,000	$23,505,200
Construction Costs	$6,995,835	$28,187,380	$34,292,313	$20,962,025	$39,663,525	$130,101,078
Total	$8,655,835	$31,971,060	$40,149,833	$23,827,025	$49,107,525	$153,711,278
Grand Total Net Income/(Deficit)	$12,107,307	$6,837,758	-$3,879,570	$11,567,287	-$6,560,700	$20,072,082
Rolling Balance	$12,107,307	$18,945,066	$15,065,496	$26,632,782	$20,072,082	-

Source: McFarland Johnson, 2018.

As indicated, anticipated passenger activity at GSP will result in PFC collections for the short-term period could surpass $20.3 million. The projection of cash flows from PFC collections assumes a rate of $4.50 per enplanement, which is offset nominally to account for PFC program administrative expenses and is adjusted to reflect the portion retained by the airlines ($0.11 per passenger).

The analysis presented in this chapter demonstrates that with the approval of a PFC program, the combination of operating income, PFC collections, and state and federal grants makes the feasibility for implementing the ACIP program at GSP is positive.

8.4. AIRPORT GOVERNANCE AND POLICY CONSIDERATIONS

Finally, this section briefly addresses Airport's governance structure and policies that can have a significant impact on revenue generation.

8.4.1. Airport Governance and Financial Structure

The Greenville-Spartanburg Airport Commission (Commission) is the governing body of the Greenville-Spartanburg Airport District, which operates Greenville-Spartanburg International Airport. The Commission is composed of six members who are appointed by the Governor. Three of the members must be residents of Spartanburg County and each must receive the recommendation of the majority of the Spartanburg County Legislative Delegation. Three of the members must be residents of Greenville County and each must receive the recommendation of the majority of the Greenville County Legislative Delegation. Members of the Commission serve a six-year term and can be reappointed.

The District is established as a political and incorporated subdivision of the State by South Carolina Code of Laws, Title 55 – Aeronautics, Chapter 11 Particular Airports, Article 3 Greenville and Spartanburg Counties. As established, there are no structural obstacles to funding and/or financing vehicles available that may hamper the long-term ability of the Airport to implement much-needed facility improvements and capitalize on growth opportunities.

It is incumbent upon the Commission to monitor and assess the ability of existing policies, fees, rates, and charges, and use and lease agreements on an annual basis. Doing so can ensure that terms reflect the best interests of the Airport District and can aid in achieving a level of financial performance that can fund and/or finance the short- and long-term needs of the Airport.

8.4.2. Commercial and General Aviation Business Policies

GSP maintains policies that provide structure to the operating environment at the Airport and protect the interests of the Airport and the public. These policies govern the operations of airlines providing scheduled commercial passenger service and general aviation businesses offering services to aircraft operators and the public. At GSP, policies include rules and regulations, minimum standards, and lease and use agreements with airlines, other aeronautical business tenants, and non-aeronautical tenants. A cursory review of these policies was performed and is summarized in the following sections.

Rules and Regulations

The GSP Commission adopted Rules and Regulations in May 2015, which govern all persons and businesses coming to or using the Airport and property. The Rules established are for the safe and efficient operation of the Airport and address the following:

- Commercial Activity
- Designated and Restricted Areas
- Aircraft Operations
- Movement and Non-Movement Area Operations
- Motor Vehicle and Traffic Rules
- Passenger Screening and SIDA (Security Identification Display Area) Access
- Conduct of the Public
- Picketing, Leaflet Distribution, and Solicitation

The Commercial Activity Section of the Rules requires entities interested in operating a business at GSP to have a written agreement or written consent to do so, and requires payment of applicable fees, charges, and rent prescribed by the Airport District.

Minimum Standards

The objective of minimum standards as set forth in FAA Advisory Circular 150/5190-7, *Minimum Standards for Commercial Aeronautical Activities,* is to promote safety in all airport activities, protect airport users from unlicensed and unauthorized products and services, maintain and enhance the availability of adequate services for all Airport users, promote the orderly development of airport land, and ensure efficiency of operations. Additionally, for public-use airports that accept federal grants through the FAA's AIP program, minimum standards also aid those airports in complying with FAA grant assurances pertaining to Economic Discrimination (Grant Assurance 22) and Exclusive Rights (Grant Assurance 23).

Minimum standards at GSP set the threshold of entry for current and future operators, such that they are applied objectively and uniformly, and avail the opportunity to any entity that can meet the standards provided suitable space is available for the conduct of the operation.

8.4.3. Use and Lease Agreements

The Airport District has a variety of use and lease agreements with aeronautical and non-aeronautical users operating businesses on the Airport. These agreements stipulate rights and obligations of each party over an agreed-upon term for the use of land and/or facilities. A snapshot of current parties to GSP leases include:

- FedEx
- CenterPoint Properties (BMW)
- Rental Car Agencies
- Airlines (Terminal Areas)
- Non-Airlines (Miscellaneous Ground Leases/Hangars)

Importantly, every use and lease agreement include components that detail the obligation of the lessee to pay the Airport District for use of the Airport's facilities. In addition to rent for use of facilities, a very important component in lease agreements is to ensure that the proper additional rent and/or percentage rent is accounted for. Additional rent typically includes a provision that lessee's pay some their pro-rated share of operating expenses (e.g., a triple-net lease), utilities, common area maintenance, and taxes or payments-in-lieu of taxes. Percentage rent is common for aeronautical and non-aeronautical operators to pay, which is comprised of some percentage of lessee's gross receipts as a means to remunerate the lessor for attracting and/or maintaining passenger levels that support the tenant or non-tenant's business.