Chapter Seven – Implementation Plan

INTRODUCTION

This chapter deals with the schedule of proposed capital improvements resulting from recommendations proposed in this Master Plan, the cost estimates for their development, and a financial plan for Space Coast Regional Airport (TIX). This chapter is designed to assist Airport Management in achieving their primary goals of maximizing revenues and minimizing operating expenses, while at the same time providing excellent facilities to the flying public. Consequently, these goals are the focus of this plan.

The analyses conducted in the previous chapters have evaluated airport development needs based upon current and projected activity, environmental factors, and operational efficiency. However, a key component of the master planning process is the application of basic economic, financial, and management rationale to each development item so that a responsible and efficient implementation process can be assured. In short, this chapter will concentrate on those factors, which will help make the plan successful. Therefore, this section of the Master Plan is often the primary reference for decision makers. Proper understanding of the effects of a decision either for or against a recommendation will be essential in maintaining a realistic and cost effective program that provides the maximum benefit to the community.

The following development program has been evaluated from a variety of perspectives. It is not dependent exclusively upon the Titusville-Cocoa Airport Authority (herein after referred to as the Authority) for funding. In fact, with proper and timely decision making on the part of responsible officials, it is quite possible for the Authority to undertake approximately $48.5 million in improvements and enhancements at TIX over the next 20 years with only expending $6.0 million of their own funds. Thus, for the most part, this development program is dependent upon sources other than those from the Authority; however, this does not mean that the Authority will not have to cover its portion of these costs.

The process of collecting and distributing aviation user funds follows set guidelines. Services are provided for a fee, and part of that fee is used to fund additional development. The primary source of aviation user funds that have been identified in this plan will come from the federal and state level. Each year the Florida Department of Transportation (FDOT) Aviation Office manages an aviation work program of state grants to airports for capital project development and planning studies. FDOT will provide up to 80 percent of the funding for most airport development projects; however, only 50 percent is provided if the project is related to economic development activities. These state funds are also used to leverage funds from the Federal Aviation Administration (FAA). On the federal level, the FAA manages the Airport Improvement Program (AIP). Funds from this program are derived from the collection of various aviation-related fees. These funds are distributed under appropriations set by Congress to all airports in the U.S., which have certified eligibility. They are distributed through grants administered by the FAA; however, the primary feature of AIP funding, which must be recognized and properly considered, is that these funds are distributed on a priority basis. Each FAA Regional Office establishes these priorities based upon the number and dollar amount of applications received. In addition, airports like TIX are also eligible each year to receive a fixed General Aviation (GA) entitlement.

Historically, this GA entitlement provides $150,000 per year under the current program, but recent government budget proposals place this program in jeopardy. However, since no action has yet been taken, it was assumed that funding sources will remain at their current levels. Since the AIP provides up to 95% of the funding for eligible projects, it is expected that TIX will benefit from such airport development programs. However, it is important to note that TIX will be competing with other communities in Florida and the FAA Southern Region

(Alabama, Florida, Georgia, Kentucky, Mississippi, North Carolina, Puerto Rico, South Carolina, Tennessee, and the U.S. Virgin Islands) as well as the entire country, for these development grants.

Consequently, close coordination of the airport's priorities with the FAA and FDOT will help enhance both agencies' participation. It is extremely important to maintain this coordination and to act expeditiously in securing the local share for either federal or state grants. Local shares of airport development projects can vary from approximately 2 ½ percent to 50 percent. Likewise, there exist some economic development grants from the state that may also be utilized for the funding of eligible projects. The development program outlined on the following pages discusses some of the various options available to TIX for providing the local share of the planned project costs.

CAPITAL IMPROVEMENT PROGRAM

The initial step in establishing an airport development program is to determine the cost of each proposed improvement. Cost data used in this study was collected from a variety of sources, including actual project estimates, published engineering indices, government agencies, and similar airport construction projects in the area. In addition to the actual construction costs, financial consideration must be given to the engineering and design work, plus minor construction items and contingencies, which have not been specifically enumerated. For planning purposes, the base construction cost has been increased to reflect the anticipated engineering, testing, survey, and inspection costs, as well as for unknown contingencies.

Estimates for each planning period are based on 2005 dollars. In future years, as the plan is implemented, these cost presentations can continue to serve as management aids by adjusting the 2005 based figures for subsequent inflation. This may be accomplished by converting the interim change in the National Consumer Price Index (CPI) into a multiplier ratio through the following formula:

CPI Multiplier Ratio = X / CPI

where: X = CPI in any given future year
CPI = National CPI in 2005

Multiplying the change ratio times any 2005 based cost or income figure presented in this study will yield the adjusted dollar amounts appropriate in any future year re-evaluation. However, only National CPI data should be used, as local or regional measures may vary. This information is available from the economic research departments of most banks.

The recommended developments of the Capital Improvement Program (CIP) are divided into three planning periods, which include a short term (2003 - 2007), intermediate term (2008 - 2012), and long term (2013 - 2023). The short term incorporates projects that are crucial to the safe operation of the airport, as well as its benefit to the community as a whole. Projects planned for the intermediate and long term are necessary for maintaining the capacity and safety of the airport, while at the same time enhancing the revenue potential of the airport. Each of the first 12 years in the CIP is presented individually to provide a detailed estimate of the financial and operational requirements. Although most of the long term is not separated into individual years, the project costs are broken out as they are in the first two planning periods. Of course, each planning period also includes basic maintenance components. As shown in **Table 7-1**, the total cost for the planned development of TIX will be approximately $48.5 million through the year 2023.

TABLE 7-1 SUMMARY OF DEVELOPMENT COSTS	
Planning Period	**Estimate (2005 dollars)**
Short Term (2003 – 2007)	$16,701,500
Intermediate Term (2008 – 2012)	$13,052,896
Long Term (2013 - 2023)	$18,760,497
Total	$48,514,893

Source: THE LPA GROUP INCORPORATED, 2005.

A brief description and listing of the individual project costs are included in the following three sections. The tables represent the culmination of comparative analysis of basic budget factors, need or demand, and priority assignments. Costs for the development items have typically been broken down based on the previous funding experiences at the airport. The allocation of funds from any agency does not imply that the funds are guaranteed from that particular source. They are simply potential sources used as part of the financial feasibility and phasing of the various projects.

The information contained in the following tables is meant to help guide airport management as they work with the various agencies to obtain project grants. This data will be used directly to update the Joint Automated Capital Improvement Program (JACIP) used by the FAA and FDOT to coordinate funding efforts. The JACIP is a secure, internet based program, which allows the agencies and airport management to interact on a real time basis as the airport needs and funding issues change.

Short Term Capital Improvement Program

The short-term planning period was subdivided into the years 2003 through 2007. The total cost of projects planned for this period is estimated at $16,701,500.

The airport recently completed several larger projects consisting of a 1,320-foot extension of Runway 18-36 in 1999, a rehabilitation of Taxiway Alpha in 2002, as well as a rehabilitation of Runway 9-27 also in 2002. In recent years, the Authority has also been able to improve business development by attracting aviation and aerospace companies to relocate facilities onto airport property. These improvements provide the foundation from which future projects will be developed and based. Details of the short-term capital improvement projects (2003-2007) are described below and shown in **Table 7-2**.

TABLE 7-2
SHORT-TERM CAPITAL IMPROVEMENTS

Project	Year	Total Cost	FAA/AIP	FDOT	Local
Construct Corporate Aviation Hangar	2003	$700,000	N/A	$350,000	$350,000
Corporate Terminal Complex (Phase 1)	2003	$600,000	N/A	$480,000	$120,000
2003 Total		**$1,300,000**		**$830,000**	**$470,000**
Runway 9 safety area improvements	2004	$750,000	$675,000	$37,500	$37,500
Construct Corporate Hangar	2004	$400,000		$200,000	$200,000
Rehabilitate Existing East Side Apron	2004	$1,500,000	$1,350,000	$75,000	$75,000
Rehabilitate and Expand Apron	2004	$750,000	$675,000	$37,500	$37,500
2004 Total		**$3,400,000**	**$2,700,000**	**$350,000**	**$350,000**
Construct Corp Aviation Terminal	2005	$1,250,000		$1,000,000	$250,000
Construct Taxiway G (Phase 1)	2005	$1,100,000	$1,045,000	$27,500	$27,500
Airport Safety/Security Fence and Gates	2005	$435,000		$435,000	
Rehabilitate Taxiway B	2005	$310,000	$294,500	$7,750	$7,750
Taxiway Foxtrot Rehab/ Extend	2005	$400,000	$380,000	$10,000	$10.000
Rehabilitate Airport Drainage	2005	$300,000	$285,000	$7,500	$7.500
2005 Total		**$3,795,000**	**$2,004,500**	**$1,487,750**	**$302,750**
CC TV and Access Control	2006	$300,000		$240,000	$60,000
Rehabilitate Apron adjacent to Taxiway	2006	$750,000	$712,500	$18,750	$18,750
Rehab or replace Rotating Beacon	2006	$85,000		$68,000	$17,000
Runway 18-36 Extend Taxiway A North (Phase 4)	2006	$1,391,500	$1,321,925	$34,788	$34,788
Construct Hangar	2006	$550,000		$275,000	$275,000
Rehabilitate Taxiway C	2006	$600,000	$570,000	$15,000	$15,000
2006 Total		**$3,676,500**	**$2,604,425**	**$651,538**	**$420,538**
Expand Corp Aviation Term Complex	2007	$800,000	$760,000	$20,000	$20,000
Construct Helipads	2007	$300,000		$240,000	$60,000
Rehabilitate Airport Facilities (Phase 3)	2007	$100,000		$80,000	$20,000
ARFF Vehicle	2007	$600,000		$480,000	$120,000
Construct ARFF Building	2007	$1,100,000	$1,045,000	$27,500	$27,000
Runway 27 Safety Area Improvements	2007	$800,000	$760,000	$20,000	$20,000
Rehabilitate Airport Road System (Phase 1)	2007	$500,000		$400,000	$100
Rehabilitate Runway 9-27 Shoulder Pavement	2007	$330,000	$313,500	$8,250	$8,250
2007 Total		**$4,530,000**	**$2,878,500**	**$1,275,750**	**$375,750**
Short Term Total		**$16,701,500**	**$10,187,425**	**$4,595,038**	**$1,919,038**

Source: The LPA GROUP INCORPORATED, 2005

Intermediate Term Capital Improvement Program

The intermediate term development period contained several larger projects than the short term, mostly due to the Authority finances. The largest portion of local funds during this period will go to land which is being acquired for various uses at the airport. This period also contains more hangar development to accommodate the hangar demand at TIX. Infrastructure improvements include improvements to the airport road system, as well as extensions to the new west-side parallel Taxiway G. Projects and costs for the intermediate term are shown in **Table 7-3**.

TABLE 7-3
INTERMEDIATE-TERM CAPITAL IMPROVEMENTS

Project	Year	Total Cost	FAA/AIP	FDOT	Local
Land Acquisition	2008	$1,800,0000		$1,350,000	$450,000
Construct T Hangars w/ taxilanes	2008	$450,000		$360,000	$90,000
Airport Road System Phase II	2008	$500,000		$400,000	$100,000
Extend Taxiway G (Phase 2)	2008	$700,000	$665,000,	$17,500	$17,500
2008 Total		**$3,450,000**	**$665,000**	**$2,127,500**	**$657,500**
Construct T Hangars	2009	$550,000		$440,000	$110,000
Rehabilitate Airport Road System (Phase 3)	2009	$800,000		$640,000	$160,000
Rehabilitate Airport Facilities (Phase 4)	2009	$300,000		$240,000	$60,000
2009 Total		**$1,650,000**	**$0**	**$1,320,000**	**$330,000**
Airport Security Enhancements	2010	$300,000		$240,000	$60,000
Master plan/ ALP Update	2010	$257,896	$245,001	$6,447	$6,447
Land Acquisition	2010	$900,000		$720,000	$180,000
2010 Total		**$1,457,896**	**$245,001**	**$996,447**	**$246,447**
Construct T-hangars w/ Taxilanes	2011	$550,000		$440,000	$110,000
Construct Run-up area	2011	$465,000		$372,000	$93,000
Taxiway Bravo - bypass/exit taxiway connectors	2011	$240,000		$192,000	$48,000
Extend Taxiway G (Phase 3)?	2011	$2,000,000	$1,900,000	$50,000	$50,000
Relocate Perimeter Road	2011	$1,000,000		$800,000	$200,000
2011 Total		**$4,255,000**	**$1,900,000**	**$1,854,000**	**$501,000**
Construct Corporate Hangar	2012	$400,000		$200,000	$200,000
Construct Bulk Hangars	2012	$800,000		$640,000	$160,000
Runway 18-36 Blast pad enhancements	2012	$80,000		$64,000	$16,000
Taxiway Alpha widen entire length to 75 feet	2012	$960,000	$912,000	$24,000	$24,000
2012 Total		**$2,240,000**	**$912,000**	**$928,000**	**$400,000**
Intermediate Term Total		**$13,052,896**	**$3,722,001**	**$7,195,974**	**$2,134,974**

Source: The LPA GROUP INCORPORATED, 2005

Long Term Capital Improvement Program

The projects that are proposed for the longer-term development have less of an immediate demand, though there are several large projects planned. The larger projects for this period include a newer, taller air traffic control tower, a 680' runway extension, as well as the implementation of instrument approach aids for Runway 9-27. The project summary for the long term is shown in **Table 7-4**

TABLE 7-4
LONG-TERM CAPITAL IMPROVEMENTS

Project	Year	Total Cost	FAA/AIP	FDOT	Local
Construct Corporate Hangar	2013	$400.000		$200,000	$200,000
Taxiway D - Reconstruction	2013	$420,000	$399,000	$10,500	$10,500
Construct New Air Traffic Control Tower	2013	$2,900,000		$2,320,000	$580,000
2013 Total		**$3,720,000**	**$399,000**	**$2,530,500**	**$790,500**
Land Acquisition	2014	$1,000,000		$800,000	$200,000
Runway 18-36 Extension – EA	2014	$100,000	$95,000	$2,500	$2,500
Construct t-hangars w/ Taxilanes	2014	$550,000		$440,000	$110,000
Rehabilitate Runway 9-27	2014	$1,038,878	$983,934	$25,972	$25,972
Extend Taxiway G (Phase 4)	2014	$2,000,000	$1,900,000	$50,000	$50,000
2014 Total		**$4,688,878**	**$2,981,934**	**$1,318,472**	**$388,472**
Runway 18-36 Extension – EA (cont'd)	2015	$100,000	$95,000	$2,500	$2,500
Construct t-hangars w/ Taxilanes	2015	$550,000		$440,000	$110,000
Aircraft Wash Rack	2015	$225,000		$180,000	$45,000
Construct Corporate Hangars	2015	$400,000		$200,000	$200,000
Runway 9-27 Precision. Approach EA	2015	$210,000	$199,500	$5,250	$5,250
Runway 9-27 Approach Lighting & Markings	2015	$1,000,000	$950,000	$25,000	$25,000
2015 Total		**$2,485,000**	**$1,244,500**	**$852,750**	**$387,750**
Runway 18-36 Extension – Design/Permit	L	$81,600	$77,520	$2,040	$2,040
Runway 18-36 Extension–680'Ext (A inc)	L	$612,000	$581,400	$15,300	$15,300
New Parallel Taxiway 9-27 North side	L	$3,542,000	$3,364,360	$88,550	$88,550
Taxiway E Rehabilitate	L	$342,219		$274,775	$68,444
Runway 18-36 – Rehabilitate/ Strengthen	L	$2,488,800	$2,364,360	$62,220	$62,220
Airport Maintenance/ Field Ops Building	L	$800,000		$640,000	$160,000
2016-2023 Total		**$7,866,619**	**$6,338,180**	**$1,081,885**	**$396,554**
Long Term Total		**$18,760,497**	**$11,013,614**	**$5,783,607**	**$1,963,276**

Source: The LPA GROUP INCORPORATED, 2005

Other Airports

To provide the best possible information to decision makers, the other airports under the Authority were looked at with regards to planned projects, as the local share for these projects will be from the same source as TIX. The information looked at was that from the JACIP which as of August 2005, covered a period from 2003-2011. All listed projects; both funded and not funded were considered. The average over the time period of 2025-2011 was used to show estimates for 2012-2015. The estimated local share for the other airports is shown in **Table 7-5.**

TABLE 7-5
LOCAL SHARE -PLANNED PROJECTS AT OTHER AIRPORTS

Year	Merritt Island – COI	Arthur Dunn – X21
2005	$264,650	$65,000
2006	$150,000	$65,000
2007	$165,000	$230,000
2008	$203,750	$165,000
2009	$266,448	$165,000
2010	$400,000	$300,000
2011	$100,000	$340,000
2012	$241,641	$165,000
2013	$241,641	$165,000
2014	$241,641	$165,000
2015	$241,641	$165,000

Source: Florida Aviation Database (JACIP), August 2005

Program Summary

The projects and phasing proposed in this section are designed and scheduled with the forecast facility requirements and financial feasibility in mind. Many of these projects would be beneficial if they could be done sooner and financial progress, project demand and funding availability should be constantly monitored should opportunities arise to complete projects earlier if favorable conditions exist. At the same time, should financial resources become more scarce, or demand become lower than expected, projects with less of a priority should be moved. The entire capital improvement process requires constant attention and coordination with the state and federal funding agencies.

FINANCIAL PLAN

This section examines the financial viability of implementing the master plan recommendations for TIX. The actual implementation schedule for proposed capital projects will be defined by development triggers and demand growth rather than by specific years. For purposes of these analyses, however, a specific implementation schedule is presented herein for illustrative purposes. The actual financial strategies to be used will be determined at the time of implementation reflecting the airport authority's philosophy and expansion strategies for the development of TIX, financial health of the airport authority, and overall economic conditions nationwide.

This section, which provides a financial plan for the master plan recommendations for the short term (2003 - 2007), intermediate term (2008 - 2012), and two years into the long term (2013 - 2023), is organized as follows:

- Airport Authority Financial Structure
- Funding Sources
- Airport Expenses
- Airport Revenues
- Airport Cash Flow
- Summary of Findings

Projects in the CIP are presented individually by year through 2014 to provide a detailed estimate of the financial and operational requirements. Given the uncertainties of assigning projects to years in the long term, CIP projects subsequent to 2014 are only listed as potential projects during this period. These projects are considered necessary for maintaining the capacity and safety of TIX, while at the same time enhancing its revenue potential.

Airport Authority Financial Structure

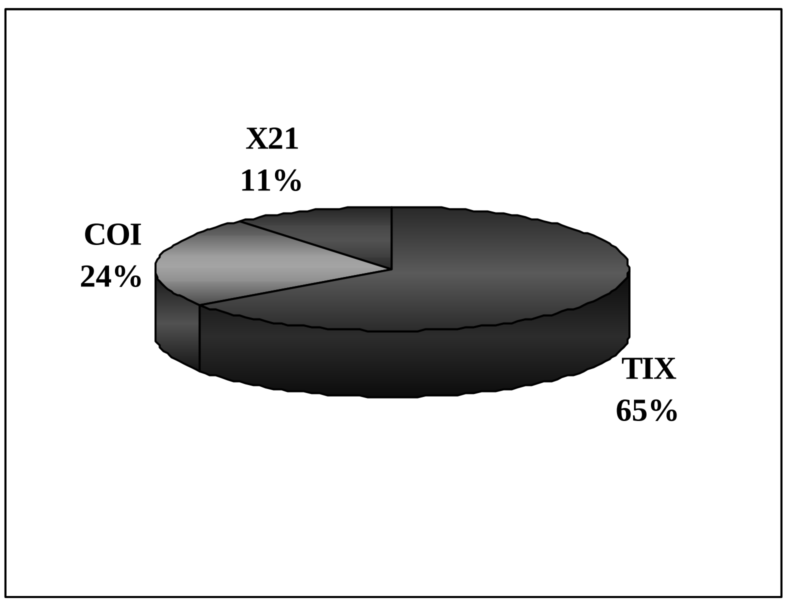
As previously mentioned, the Authority operates three airports: TIX, Merritt Island Airport (COI) and Arthur Dunn Airpark (X21). With regard to finances, the airport authority operates all three airports as one system. This results in pooled financial information. Because of this financial structure, it is difficult to single out revenue and expenses for one particular airport. Therefore, TIX was compared to the other airports in the system in order to estimate the Space Coast Regional Airport's share of revenues and expenses in respect to the overall airport system. Based on information shown below in **Table 7-6** and **Exhibit 7-1**. TIX's share of revenues and expenses is estimated to be approximately 65% based upon Airport Authority financial records. Therefore, the numbers reflected in this section were used to estimate the financial information associated strictly with TIX.

TABLE 7-6
TIX SHARE OF TICO BUDGET

	TIX	COI	X21	Total
Operations	204,808	113,500	40,450	358,758
%	57.09%	31.64%	11.28%	100%
Based AC	191	219	80	490
%	38.98%	44.69%	16.33%	100%
S.Y. of RWY	177,556	30,008	23,333	2,078,075
%	76.90%	13.00%	10.11%	100%
Acreage	1,650	129	138	1,917
%	86.07%	6.73%	7.20%	100%
Average	**64.76%**	**24.01%**	**11.23%**	**100%**

Source: The LPA GROUP INCORPORATED, 2005

EXHIBIT 7-1
AIRPORT BREAKDOWN



Source: The LPA GROUP INCORPORATED, 2005

Funding Sources

Table 8-5 presents an annual summary of costs for the recommended CIP, including sources of funds. For these financial analyses, estimated project costs presented earlier in 2003 dollars have been inflated at an annual compounded growth rate of 3.0 percent, which is consistent with current and long-term inflation rates for the nation (as measured by the Consumer Price Index). As shown, the total CIP for TIX is estimated at approximately $48.5 million in 2005 dollars over the three planning phases. For ease of presentation, the remainder of the discussion on the CIP in this section will be in inflated dollars. Sources of funds for the CIP and their assumed totals are discussed below:

Federal Funding

For general aviation airports with an identified need, the Wendall H. Ford Aviation Investment and Reform Act for the 21st Century (AIR-21) provides up to $150,000 per year each year for airport improvements. For the sake of this write-up, it is assumed that this General Aviation Entitlement will continue through the planning period. This entitlement is available to use in the fiscal year it becomes available and the next two fiscal years. In addition to the general aviation entitlement, many projects relating to the airfield such as taxiways, runways and NAVAIDs are eligible for funding under the Airport Improvement Program (AIP). Congress budgets approximately $3.2 billion or higher for projects to be funded under the FAA's Airport Improvement Program. The AIP is a national grant program whereby TIX would be competing with airports across the country on a priority basis for funds. For a small airport like TIX, the AIP funding will normally cover 95% of the project cost. Roughly $24.5 million in federal AIP grants is assumed to fund the CIP; with $3 million in entitlements assumed between 2003 and 2023.

State Funding

Another significant source of funding for capital improvements at TIX has historically come from the state level. TIX participates in the JACIP, a coordinated process between the FDOT and the FAA to plan airport capital improvements and expenditures. If Federal funds are not available, the FDOT will provide up to 80 percent of the funding for most airport development projects. However, only 50 percent is provided if the project is directly related to economic development. In addition, the FDOT will normally match up to 50 percent of the local portion of a federal grant. Roughly $15.1 million in state grants is assumed to fund the TIX CIP between 2003 and 2023.

Local Share

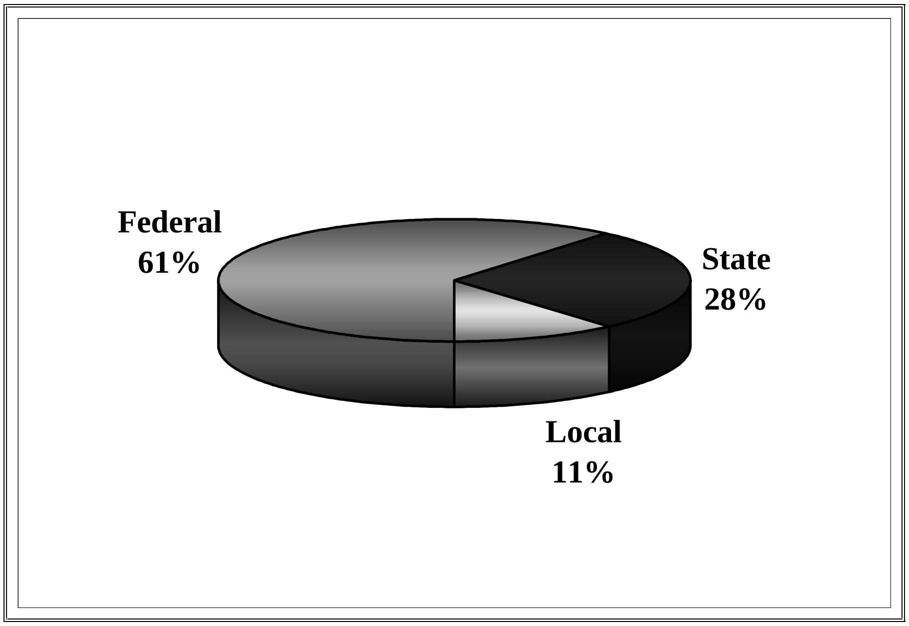
The net remaining amount of funds required to pay for the CIP will be derived from airport revenues. However, since the authority operates the three airports together, the local share is contributed to projects at any of the three airports by using revenues from any of the three airports. Some projects may require a larger local share than the airport can afford. In these cases, as in the past, it may be necessary to take on some debt. For airports, this would typically be in the form of a loan, line of credit or an airport revenue bond. It is anticipated that the airport authority will need to take out some form of debt service to meet the local share for proposed projects, many of which already have funding secured. The amount of debt to be obtained is estimated to be approximately $3.5 million between 2005 and 2013. The FDOT also provides loans to airports at little to no interest. Since the shortage is in various amounts over several years, a line of credit may also be the most feasible option for the authority. It is anticipated that approximately $5.2 million in local funds will be required to fund the CIP during the planning period.

Private Investment

Not all projects done at TIX need to be built by the Authority. A popular emerging trend amongst small and large airport alike is to have a private developer lease land on a long-term basis to construct airport facilities. Common areas for private investment include t-hangars, corporate hangars, general aviation terminal facilities, as well as fixed base operations.

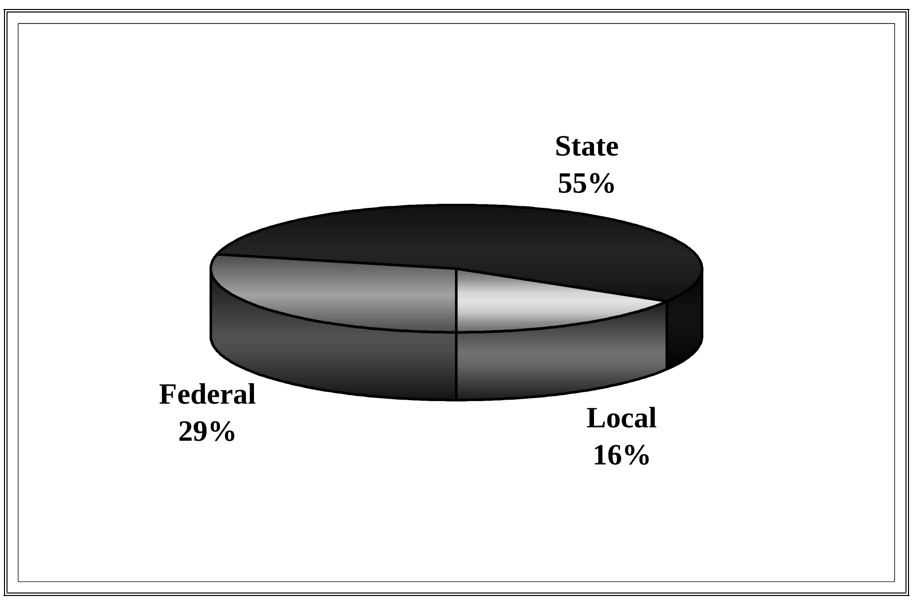
Exhibit 7-2 through **Exhibit 7-5** show the funding sources by each planning period, as well as the overall funding source breakdown.

EXHIBIT 7-2
SHORT TERM FUNDING SOURCES



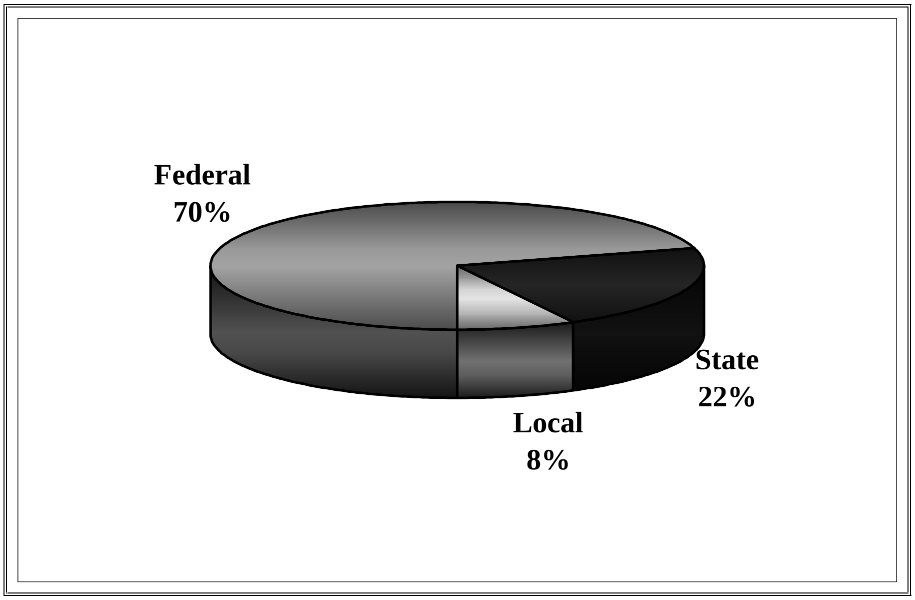
Source: The LPA GROUP INCORPORATED, 2005

EXHIBIT 7-3
INTERMEDIATE TERM FUNDING SOURCES



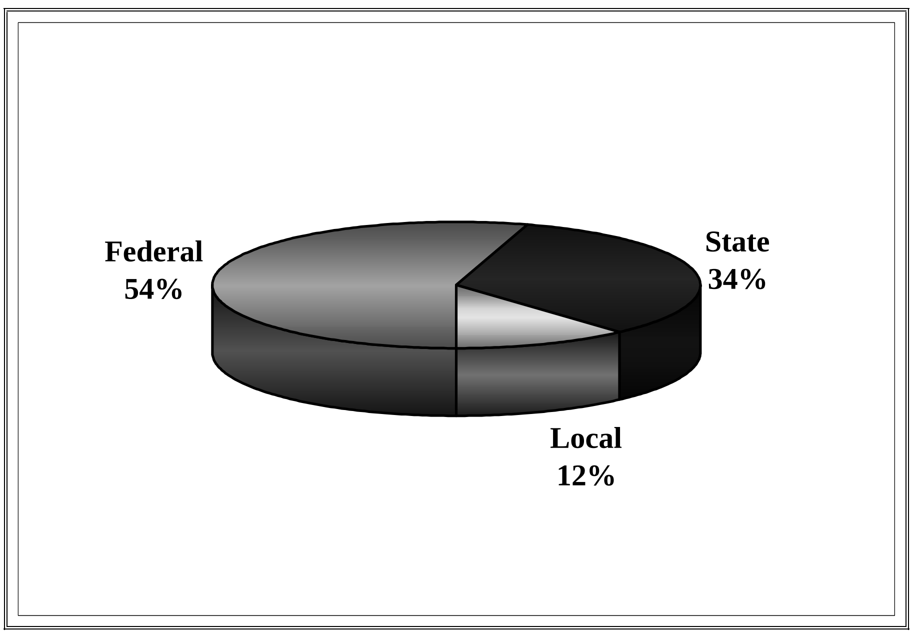
Source: The LPA GROUP INCORPORATED, 2005

EXHIBIT 7-4
LONG-TERM FUNDING SOURCES



Source: The LPA GROUP INCORPORATED, 2005

EXHIBIT 7-5
SUMMARY OF FUNDING SOURCES 2003-2023



Source: The LPA GROUP INCORPORATED, 2005

AIRPORT REVENUES

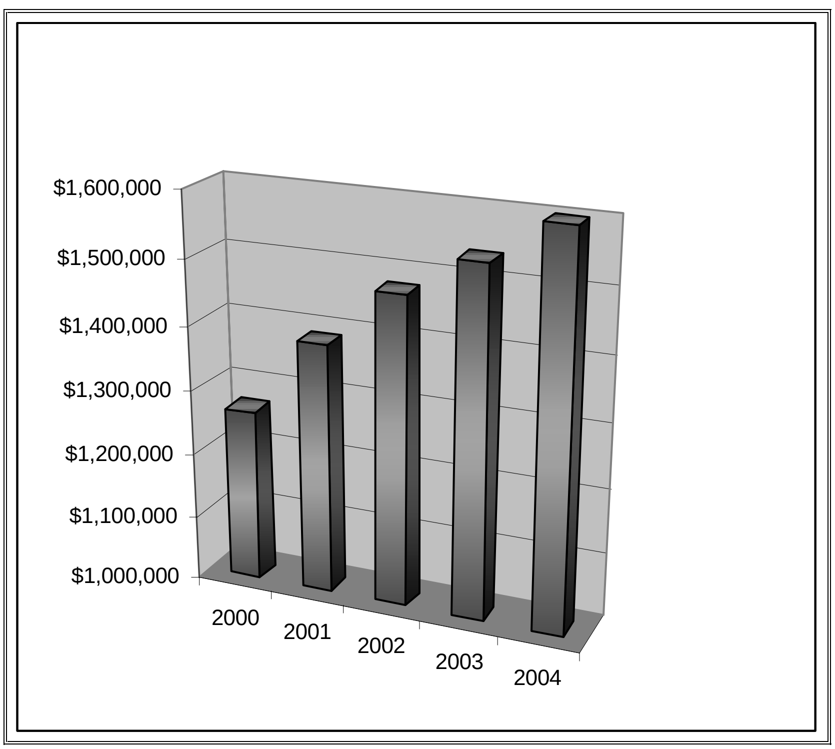
Operating Revenues

Like operating expenses, operating revenue is that which is generated directly from the operation of the airport. These items are associated with leases, sales and fees that the airport charges tenants and users. Non-operating revenue, which is discussed later, refers to revenues not obtained from the operation of the airport, such as the ad valorem taxes and grants received.

T-Hangar Rent
For many general aviation airports like TIX, the revenue generated from t-hangar leases provides a significant and steady revenue stream for the airport. Within the Titusville Airport system, the airport authority does not own all t-hangars. Instead, some t-hangars were built using private investment as covered under the fixed based operator.. As with previous items, all of the Authority's t-hangar revenues are pooled between the three airports within the system.

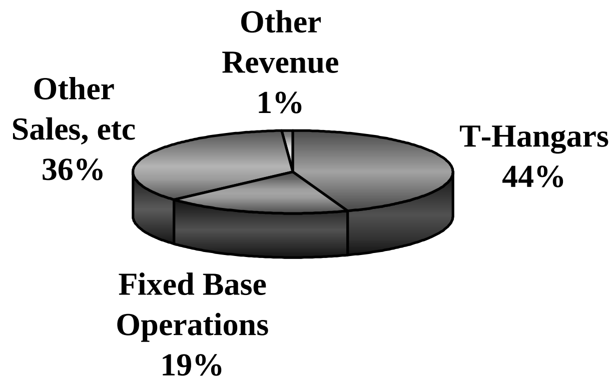
Fixed Base Operation
Several significant revenue sources for the airport authority are classified under Fixed Base Operation. The airport authority implements a fuel flowage fee of $0.05 per gallon for fuel sold at each of the airports. The airport authority does not operate any fixed based operations at any of the airports; however, the land leases for these facilities are counted under this item. This also includes any t-hangars that were built using private investment using land leased from the airport.

EXHIBIT 7-6
AUTHORITY OPERATING REVENUES



Source: Titusville-Cocoa Airport Authority Financial Reports 2000-2004

EXHIBIT 7-7
AUTHORITY OPERATING REVENUE BREAKDOWN



Source: Titusville-Cocoa Airport Authority Financial Reports 2000-2004

Non-Operating Revenues

The principal source of non-operating revenue is through the ad valorem tax authority that the Authority collects. An ad valorem tax is generally levied on all taxable property within a designated district. The airport has the authority to assess up to ½ mil for operations and 1 mil for debt service. The airport assessed a millage for operations at .0179 mills in 2004 and at .094 mills in 2003. This millage amounted to non-operating revenues of $179,336 in 2004 and $183,121 in 2003. This non-operating revenue source is expected to continue at similar rates throughout the planning period.

The funding that the airport receives for capital improvement projects is also considered non-operating revenue. This includes all federal and state grants and loans. In addition, and income from debt acquired or loans issued would also be recorded under non-operating revenues for the year in which the transaction occurs.

AIRPORT EXPENSES

Operating Expenses

When any business, or in this case an airport, are referring to operating expenses, it is considered to be any expense associated with the operation of the facility. These costs typically cover all of the day-to-day upkeep, as well as all regular and preventative maintenance. Capital development and improvement initiatives are not included in operating expenses. Depreciation of assets is considered an operating expense; however, for the purpose of this evaluation, it is not considered, as it is a non-cash expense. From information obtained from the

Airport Authority, system wide operating expenses were $2,320,364 in 2004 and $2,249,621 in 2003. The estimated share of operating expenses associated strictly with TIX is $1,508,237 and $1,462,254, respectively. The various types of operating expenses are described below and shown in **Exhibits 7-8 and 7-9.**

Wages and Benefits

The primary operating expense at TIX is that used for personnel services. Expenses covered under personnel services include salaries, payroll taxes, as well as employee retirement and insurance contributions. Total expenses for this item were $713,743 in 2004 and $675,338 in 2003. This amount includes all employees of the Airport Authority as employees are not assigned to specific airports. TIX's estimated share (65%) of the expense was $463,933 for 2004 and $438,870 for 2003.

Repair and Maintenance

The basic day-to-day upkeep of the facilities including preventative maintenance and necessary repairs are another key operating expense. Like personnel services, this item is also not divided amongst the airports.. The Airport Authority recorded repair and maintenance expenses for the three airports as $479,619 in 2004 and $547,001 in 2003. The TIX share of this expense was estimated to be $311,752 and $355,551, respectively. It is assumed that less maintenance would be required with newer facilities, and required maintenance would increase as facilities age.

Note Principal

In terms of debt service, only the principal is considered an operating expense. The interest on the note is considered under other expenses. Debt service is discussed later in this section.

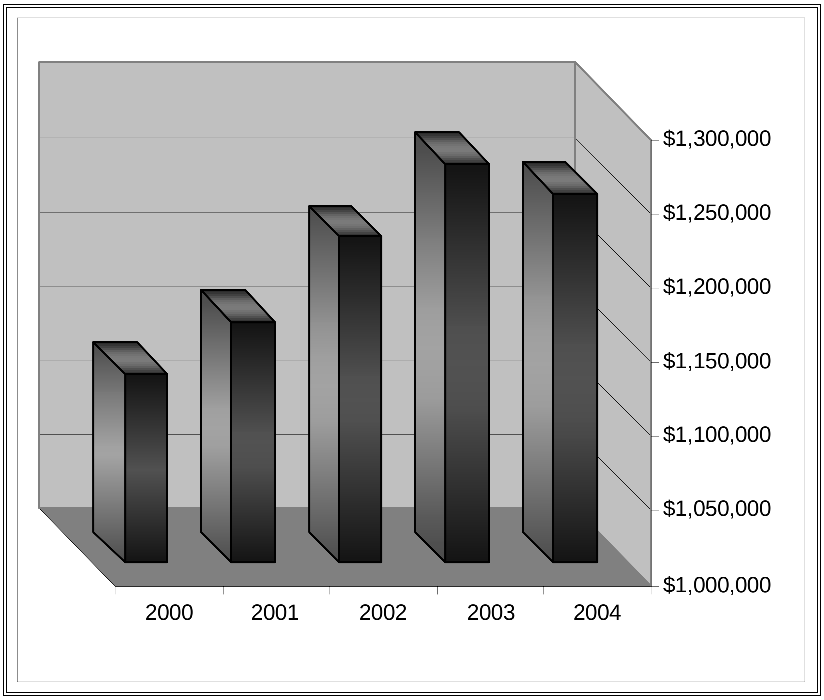
Bad Debt

From FY 2000 to FY 2004, the Airport Authority has expensed a total of $91,903 in accounts where money was not deemed collectable. Of this amount, TIX's share was estimated at $59,737. For the purposes of planning, an amount of $10,000 annually is estimated for TIX's allowance for uncollectible accounts.

Depreciation

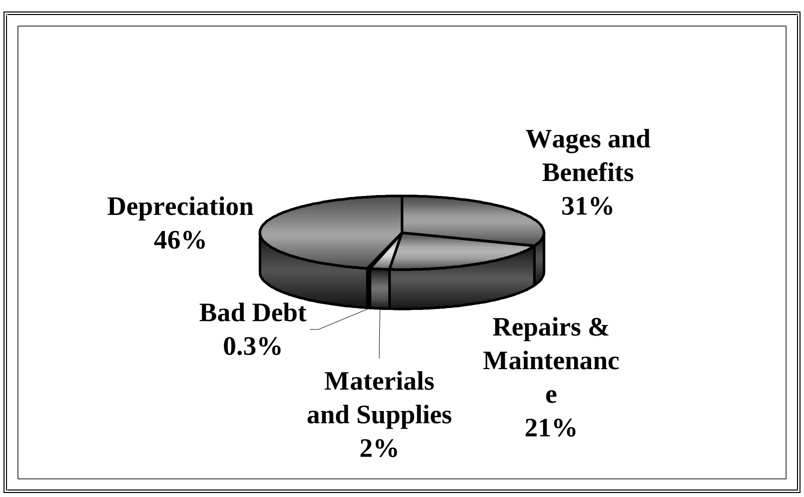
When discussing accounting practices, the depreciation of assets is considered an operating expense. The airport authority utilizes a straight-line depreciation method for their assets, depending on the estimated useful life. The estimated useful life can be as little as three (3) years for some equipment items, or as much as 39 years for some buildings. Airfield items such as lighting ramps and runways can range from seven (7) to 33 years of estimated useful life. While depreciation is considered an operating expense, there is no cash charge associated with it.

EXHIBIT 7-8
AUTHORITY OPERATING EXPENSES FY 2000-2004



Source: Titusville-Cocoa Airport Authority Financial Reports 2000-2004

EXHIBIT 7-9
AUTHORITY OPERATING EXPENSES BREAKDOWN



Source: Titusville-Cocoa Airport Authority Financial Reports 2000-2004

Non-Operating Expenses

Non-operating expenses are the expenses incurred outside that of the maintenance and operation of the airport itself. Items found in this category for TIX are note interest, tax assessment fees, storm water fees, and loan issue costs. Many of the taxes and fees amount to just a few thousand dollars total for the airport authority, the largest expense in this category is the interest expense portion of the debt service. The total expense for the authority was $104,220 for 2004 and $43,697 in 2003. The estimated TIX portion was $67,743 and $28,403, respectively.

Debt Service

Currently the Authority has two debt service obligations. This first note is with Wachovia Bank, which was issued in 2003, with an original amount of $2,450,000. The interest rate is 4.37% and annual payments are $222,972. As previously discussed, the principal amount is considered under operation, while the interest is considered non-operating. The second note is with the Flagler Development Company. This note was also issued in 2003 for an amount of $118,293. The interest rate is 2.5% with annual payments of $9,465. Both of these notes were based on a 15-year schedule and run though the year 2018.

As shown for the short and intermediate CIP periods, it is anticipated that approximately $3.5 million will be needed to fund the proposed projects. The debt service required was based upon the amount necessary for the airport to break even and maintain their existing cash levels. **Exhibit 7-10** shown the new debt required with payment on that debt beginning the following year. The payments are based on the current interest rate of 5% with 15 annual payments. Debt issuance is shown as necessary up through the year 2013.

Airport Cash Flow

The financial information for TIX specifically is difficult to obtain since the airport is part of a three airport system. As discussed previously, all of the revenues and expenses for the combined airports are pooled together then drawn from the larger account. Neither revenues nor expenses are directly tied to any of the three airports operated by the Authority. The cash flow was analyzed to determine the Authority’s ability to afford projects on a year-by-year basis. To increase the accuracy and feasibility of these figures, the projects currently listed in the JACIP for Merritt Island and Arthur Dunn Airpark were also considered. The net profit (revenues minus expenses) shows a system wide surplus. The TIX share was determined to be approximately 65%, based on the airport’s role in the system. This 65% share was used as a guide, but not a limiting factor since projects at the three airports may have different priorities over the years. The cash flow summary for TICO and TIX are shown in **Exhibit 7-10.**

Summary of Financial Plan

All of the financial information was obtained from the Authority’s annual financial reports covering 2000 though 2004, as well as the 2004-2005 operating budget. It cannot be concluded as to whether or not TIX is using revenue from other airports in the system to fund capital improvements, or vice-versa. Due to the financial reporting methods. The funding sources shown, are often showing the optimal methods and sources may not necessarily be the final result. Though a project may be FAA eligible, funding is not guaranteed and the airport may have to rely on state funding alone, requiring an increased local contribution from the airport authority. As stated in the project summary, the financial aspect of this process needs to be continually monitored, as well as constant coordination with the funding agencies on the state and federal levels.

Exhibit 7-10 Airport Cash Flow & Financial Summary