

Dutchess County Airport

Business Plan
2011 Executive Summary



Dutchess County Airport
generates an Annual Economic
Impact that supports:

238 Jobs
\$13.4 Million in Income
\$44.1 Million in Total Economic Impact

EXECUTIVE SUMMARY

Dutchess County Airport Business Plan

INTRODUCTION

THE PURPOSE OF THIS BUSINESS PLAN FOR Dutchess County Airport is to develop decision-level information that the County can use to chart the future course of the Airport. To accomplish this, an examination of the financial production of the Airport was made and reported in pro formas. In addition, the plan studied operational and managerial issues to determine if there were better or more efficient methods that could be used. The plan is founded upon an understanding of current activities at the Airport and sets forth options to address a number of key areas: marketing for aviation users and non-aeronautical business, potential areas of development on Airport property, the possible need for new hangar space, the desire to increase corporate use of the facility, and capitalizing on a number of growth opportunities in the Lower Hudson River Valley. The recommended plan of action from this report rests on four primary strategic initiatives:



- 1) **Airport/Dutchess County Aviation Branding and Marketing:** This initiative begins with building a stronger Airport/FBO brand, and undertaking marketing campaigns that communicate the value of utilizing the Airport to aircraft owners and operators in the market area. The exit of Richmor in late 2011 will provide the County an opportunity to develop their brand as the new FBO. Creating a stronger brand, taking the message to users, and delivering on the promise of value will strengthen the County's growth initiatives for the Airport.
- 2) **Hangar Development and Activity Growth:** Pursuing the development of hangars will bolster revenue production and attract based aircraft activity in the service area. These investments will not only improve the Airport for existing and prospective users, but demonstrate to the market the County's commitment to providing a facility that can meet their needs now and in the future.
- 3) **Non-Aeronautical Land Development:** In addition to developing land on the Airport for aviation use, property that is not needed for aeronautical uses should be developed for compatible land use purposes. This would include industrial or commercial sites that could exist in harmony with the Airport's operation, but yield revenues to support the County's bottom line in its operation of the Airport. A critical part of successfully attracting such private investment will be the extension of centralized water and wastewater infrastructure to the Airport.

4) Expanded Partnerships:

Given the impending departure of Richmor Aviation, and the position of the County FBO as the sole provider of aviation services at the Airport, it will be important to expand teaming opportunities wherever possible. This includes continued coordination and partnership with AAG and Dutchess Community College in addition to seeking opportunities to partner with other aviation and non-aviation businesses.



AIRPORT MISSION

Although there is no formally documented mission statement for Dutchess County Airport, the County’s Aviation Division is a highly-reputable operation that provides excellent service¹. Additionally, the Airport’s reputation and location in the Hudson Valley represents strong potential for future growth. A possible mission statement for the Airport might be:

“Dutchess County Airport strives to be the Hudson Valley's first choice for business and personal air transportation, providing an engine for economic growth, while maintaining operational safety, outstanding service, and a safe environment for aircraft owners, operators, and the flying public.”

The County’s full range of FBO services (beyond typical fueling, parking, terminal/lounge, and public telephone, etc.) include services and amenities required most often by business and corporate operators, and further supporting the Airport’s mission.

HISTORICAL FINANCIAL PERFORMANCE

The historical operating revenues and expenses for Dutchess County Airport indicate an increasing level of net revenue deficits. For the most recent three-year period, Airport financial performance has been as follows:

	Operating <u>Revenues</u>	Operating <u>Expenses</u>	Net Revenue/ <u>(Deficit)</u>
• 2008	\$1,954,360	\$2,058,343	(\$103,983)
• 2009	\$1,685,264	\$1,917,272	(\$232,008)
• 2010	\$1,828,849	\$1,948,704	(\$119,855)

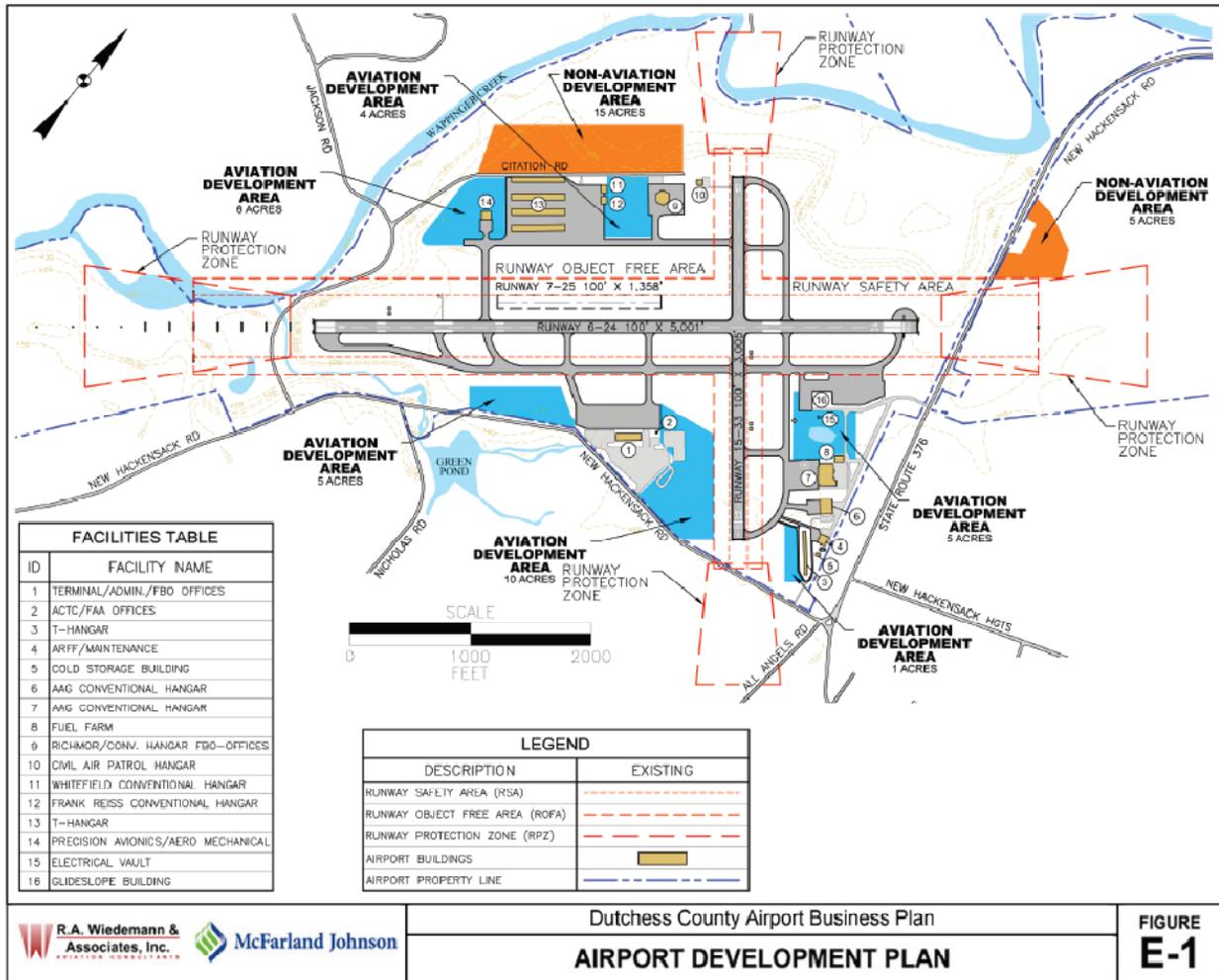
Overall, while the Airport has generated lower operating revenues in 2009, there has been a recovery in 2010. While not reaching the 2008 levels, the increased revenue levels are

¹ Source: Airnav.com/airport/KPOU/A2#c, Comments from AirNav users, February 2008-January 2011.

significant. It should be noted that over the three-year period considered here, Airport Management has been diligent in controlling expenses. In this regard, in spite of decreased subsidy from the County General Fund to cover shortfalls, the Airport has been able to reduce its operating expenses in response to lower revenues.

OVERALL AIRPORT DEVELOPMENT

The Development Plan for the Dutchess County Airport is illustrated in Figure E-1. As part of this Business Plan, several potential on-Airport development areas were identified. There is a significant amount of land that can be utilized for both airside and landside development.



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Dutchess County Airport Business Plan
AIRPORT DEVELOPMENT PLAN

FIGURE E-1

While the Airport's 5,001-foot primary runway can be a limiting factor for attracting some large jet aircraft and charter operators, this length and the associated precision instrument approach is a combination that can accommodate a significant range of aircraft in the active corporate fleet. Airport improvements proposed in the business plan that impact revenue production include the construction of at least one 10-Bay T-Hangar and several corporate hangars, along with the reuse of the Richmor hangar in the immediate five year period. Other development actions include the identification of non-aviation development areas that can be used by the County to generate revenues for the Airport. While there are areas of environmental concern, these can be avoided in the overall development plan.



DESCRIPTION OF THE AIRPORT'S COMPETITIVE POSITION

For the purpose of assessing the Airport's competitive position, the business plan includes an assessment of five other airports located in and around the Dutchess County Airport service area. Two of those airports are located in Connecticut and as such, enjoy lower property and sales taxes on aircraft. Dutchess County Airport's facilities and prices place it in a mid-to upper range competitive position among other airports in the area. With regard to aircraft storage prices, it can be concluded that the County has made good decisions in constructing and pricing their facilities, in that the 50 T-hangar units constructed in 2002 were reserved by tenants with cash deposit commitments prior to completion. In addition, there is a waiting list for new hangars, which indicates favorable pricing policies. As of January 2011, Orange County Airport charged the lowest rates for Jet A and 100LL, while Stewart International charged the most for 100LL and Waterbury-Oxford charged the highest for Jet A. Dutchess County is priced in the mid-range of these fuel sellers.

The importance of monitoring pricing at Dutchess County can be demonstrated by one of Danbury Municipal's FBO websites. The Business Aircraft Center at Danbury Municipal in CT takes direct aim at Westchester County Airport, NY on their website, claiming the lowest fuel prices from Westchester to Connecticut. Additionally, that FBO also states that their fuel is currently priced \$1.00 less per gallon than Westchester County. Continued competition with NY and CT airports may demand a similar approach for Dutchess County to maintain existing clients and gain new tenants.

BUSINESS PLAN OPTIONS AND RECOMMENDATIONS

Specific recommendations by timeframe are as follows:

Immediate - 2011

- **1st Priority** – Dutchess County should prioritize the construction of new hangars

- on the Airport.
- **2nd Priority** - Dutchess County should consider use of an RFP solicitation to identify interest in hangar development from private contractors or developers.
- **3rd Priority** – Dutchess County should aggressively market the FBO facility to attract new tenants in the near term.
- **4th Priority** - Dutchess County should market both sites individually as well as a packaged lot to retain the greatest flexibility for accommodating new tenants.
- **5th Priority** - Dutchess County should consider an Airport marketing budget of at least \$25,000 for the 2012-2013 period.



2012

- **1st Priority** – Dutchess County should consider a name change for the Airport and new tagline as a part of building a stronger Airport brand.
- **2nd Priority** - Dutchess County is encouraged to take the steps needed to market and brand its FBO operation, particularly after the departure of Richmor.
- **3rd Priority** – Dutchess County should assemble a list of registered aircraft owners from third party vendors and target these prospects for initial attraction efforts.

2013-2014

- **1st Priority** – Dutchess County should consider listing available lease properties with a local commercial real estate brokerage firm.
- **2nd Priority** - Dutchess County should bundle energy-savings projects based on payback period, and pursue funding through local bond financing or State grants.
- **3rd Priority** – Dutchess County should consider the potential for SASOs on the Airport as demand for specialized services grows.

2011-2015 - Other Revenue Generation Sources and Long Term Considerations:

- Dutchess County should continue its strong partnership with AAG to retain the company's long-term operation at the Airport.
- Dutchess County should continue to strengthen their relationship with DCC regarding the current and future needs of the Aviation Program.
- Dutchess County should consider the use of new media tools as part of its Airport growth strategy.
- Dutchess County should pursue the extension of centralized water and wastewater infrastructure to the Airport as capital funding becomes available.

If these recommendations are followed it is estimated conservatively that the following financial performance at the Airport can be achieved:

Table E-1 - Recommended Plan Operating Revenue v. Recommended Plan Grand Operating Expense Comparison			
Year	Forecast Enhanced Operating Revenues	Forecast Enhanced Operating Expenses	Forecast Operating Net Revenue
2011	\$1,875,100	\$2,042,100	(\$167,000)
2012	\$2,247,900	\$2,274,600	(\$26,700)
2013	\$2,582,400	\$2,493,000	\$89,400
2014	\$2,680,900	\$2,533,600	\$147,300
2015	\$2,968,400	\$2,763,400	\$205,000

As shown, if all revenue generation strategies are implemented as assumed in the pro forma, and assumptions regarding revenues and expense growth are realistic, the Airport could achieve positive operating net income in 2013. A baseline forecast scenario (non-enhanced revenue scenario) predicted continued net deficits, with a cumulative 5-year operating balance of almost -\$449,100. In comparison, the enhanced revenue forecast shows a cumulative 5-year operating balance of approximately \$248,000, which represents an improvement of nearly \$650,000 in operating performance over the baseline scenario.

