Gary/Chicago International Airport

Report of the Fiscal Monitor

December 22, 2009

Public Financial Management

Two Logan Square
18th & Arch Streets, Suite 1600
Philadelphia, PA 19103
215 567 6100
www.pfm.com

Gary/Chicago International Airport

Introduction

In 2008 the State of Indiana enacted Public Law 146, establishing "circuit breaker tax credits" that cap local property taxes at a percentage of assessed value. Property taxes have recently been the source of approximately 50 percent of the operating revenue for the Gary/Chicago International Airport. Based on analysis prepared for the State by Policy Analytics, LLC, the full implementation of the caps was projected to reduce the airport's property tax revenues by approximately 45 percent from $1.66 million to $913,000 in 2009 and then to $735,000 in 2010.[1]

Because of the large gap between recent historical revenues and the amounts permitted by the cap, the City of Gary and several of its related units – the Airport, the Gary Sanitary District, the Gary Storm Water Management District, and the Gary Public Transportation Corporation – petitioned the State of Indiana for relief from the caps in 2009. The state body assigned to review such petitions, the Distressed Unit Appeals Board (DUAB), granted partial relief for all but the Sanitary District and directed the City and its related agencies to retain a fiscal monitor to "assist the petitioning units in rehabilitating their financial affairs in the near-term with the ultimate objective of alleviating the petitioning units of their distressed status."

Public Financial Management (PFM) was selected in a competitive process to serve as the fiscal monitor. This report is the result of PFM's review of the Airport's financial situation and recommendations for changes to its financial and service delivery operations to comply with the property tax limits in Public Law 146. This report should be read in conjunction with PFM's report on the City's finances – especially the Overview section of that document – to more fully understand the context of the recommendations for the Airport.

Overview

Located approximately 25 miles and 35 minutes from downtown Chicago, the Gary/Chicago International Airport (GYY) is considered Chicago's third airport along with Chicago O'Hare International Airport and Chicago Midway Airport. According to Federal Aviation Administration (FAA) regulations, GYY is a Part 139 airport, designated as a "reliever" airport for commercial congestion at O'Hare and Midway.

GYY has one runway of 7,000 feet (Runway 12-30) and a second, shorter crosswind runway of 3,600 feet (Runway 2-20). Plans are underway to extend runway 12-30 to 8,900 feet and there has been discussion about extending the crosswind runway to 5,500 feet. The 12-30 runway extension would allow GYY to accommodate larger planes and broaden the range of services the airport could provide. Working with the FAA and the Northwest Indiana Regional Development Authority (RDA), the Airport has been addressing several obstacles to the runway extension including:

- Moving railroad tracks used by Canadian National Railway Company from the current location 130 feet from the end of the runway. The Airport is negotiating an agreement to relocate the tracks at a cost of approximately $50 million. A change in track ownership delayed this process.

- Relocated a Citgo oil tank ($2.4 million) and high-voltage power lines obstructing the flight path ($15 million).

- Lowering the Indiana Toll Road at the runway's southeast end.

[1] These impact projections are based on analysis provided by Policy Analytics on November 4, 2009. Revenue associated with the excess levy appeal is not included.

- Replacing environmentally sensitive habitat that would be disturbed by the runway extension. The Airport is seeking 103 acres owned by the Gary Community School Corporation, but no agreement has been reached. The Airport has purchased another 170 acres required for the extension ($5.5 million).

- Assessing the degree of environmental contamination and remediating that damage on 150 of the 170 acres purchased.

Progress to date has been achieved using federal funding provided by a Letter of Intent (LOI) between the Airport and the US Department of Transportation. The LOI mechanism gives the Airport access to $57.8 million over ten years (2006 – 2015) without relying upon annual Congressional appropriations for sustained funding. The RDA has also provided $20.0 million that was earmarked by the Indiana General Assembly for the Airport from the $3.8 billion lease of the Indiana Toll Road.

Along with the runways, GYY has a 16,000 square foot terminal building, which is estimated to be able to host two regional-sized airlines if it were utilized. The Airport does not have a customs area for processing travelers, though corporate tenant Boeing handles its own customs and immigration functions there. GYY's major services at present are charter flights, some cargo flights and occasional reliever landings. As shown below, over the past several years the number of enplanements[2] has varied considerably:

Gary-Chicago Airport Enplanements

2004	2005	2006	2007	2008
27,350	17,935	2,512	16,223	4,353

Source: Federal Aviation Administration.

In 2008 GYY served charter flights during the presidential campaign and opened a National Guard Readiness Facility for Blackhawk and Kiowa helicopters. Skybus Airlines, a regional passenger carrier airline which offered daily non-stop flights to North Carolina, discontinued service shortly after it began in 2008. This decade Gary also served briefly as an airport for Hooters Airlines, Pan American Airlines, SkyValue Airlines, and Southeast Airlines. GYY is not currently served by commercial flights and only occasionally has cargo flights. Its major tenant is Boeing, which keeps several planes on site.

At present, GYY is awaiting a comprehensive report on expansion options from commercial aviation consultancy Landrum and Brown (L&B). The study, which should be complete in the first half of 2010, will outline the various scenarios for growth. Instead of providing a study that focuses on how to attract and accommodate specific aviation activities, L&B will present a menu of options that details several different possible routes for expansion. The Airport and RDA are jointly funding the study.

Governance and employees

There are two authorities with similar names but very different powers relevant to GYY:

- The **Gary/Chicago International Airport Authority**[3] owns and operates the airport and has the power to levy property taxes to support its operations, issue bonds for capital improvements, acquire property and take other actions to advance air travel and aviation-related commerce at

[2] "Enplanements," as used here and throughout the report, refers to the Federal Aviation Administration's data as reported by U.S. scheduled and nonscheduled certificated air carriers, commuter air carriers, and small certificated air carriers.

[3] Unless otherwise noted, this assessment will use "Authority," "GYY" and "Airport" to refer to the Gary/Chicago International Airport Authority, which owns and operates the facility.

the facility. This Authority has a seven-member board with four members appointed by the Mayor of Gary, one by the Lake County Commissioners, one by the Porter County Commissioners and one by the Governor of Indiana.

- The **Chicago-Gary Regional Airport Authority** promotes the development of GYY and coordinates it with the development of the other two Chicago airports. It is established through a 1995 compact between the Cities of Chicago and Gary. This Authority has a 12-member board with five appointed by the Chicago City Council, five appointed by the Gary Common Council and one each by the Governors of Indiana and Illinois. The five Gary Common Council appointees are the President, Vice-President and Secretary of the Gary/Chicago International Airport Authority; the Common Council President; and the Chair of the Common Council's Planning and Development Committee.

GYY is managed on a daily basis by its Airport Director and his staff. The Finance and Marketing Directors report directly to the Airport Director. Staff in Administration, Operations, Maintenance, Security and Special Projects report to the Deputy Director. Other than the Maintenance unit which has 11 to 13 positions and Finance which has two, all other units have only one position each.

Historic Employee Count – Filled Positions

2006	2007	2008	2009
19	19	22	20

Historic Employee Count – Budgeted Positions

2006	2007	2008	2009	2010
19	19	22	20	17

The Airport's employees are not represented by any collective bargaining unit. They are eligible for coverage through the health insurance plans offered by the City. Employees contribute a flat dollar amount toward the premium based on whether they have individual or family coverage. Airport employees are also contributory members of the State's pension plan through the Public Employees' Retirement Fund (PERF).

Revenues

The largest revenue source for the Authority is the property tax, which generated an average of $1.2 million per year from 2006 to 2008. The amount collected in individual years varies significantly, largely because of Countywide delays in the property tax billing process. The Authority only received one of two semiannual payments in 2007 and anticipates that it will only receive the first half of its 2009 revenue before December 31, 2009.

Historical General Fund Revenues – GYY

	Actual 2006	Actual 2007	Actual 2008	Budget 2009
Property taxes	**1,196,019**	**737,590**	**1,731,930**	**736,142**
Financial institution tax	2,521	7,150	4,489	5,040
License excise tax	41,290	65,913	39,577	42,721

	Actual 2006	Actual 2007	Actual 2008	Budget 2009
Commercial Vehicle Excise Tax	4,028	12,486	8,761	8,458
Other tax subtotal	**47,839**	**85,549**	**52,826**	**56,219**
Chicago/Gary Compact	**0**	**0**	**36,939**	**334,815**
Fuel flowage charges	89,490	124,409	155,105	160,632
Terminal user fee	12,080	10,620	16,464	15,000
Landing fees	61,673	88,080	66,451	92,608
Parking fees	0	5,748	36,898	34,800
Charges for service subtotal	**163,242**	**228,857**	**274,917**	**303,040**
T-Hangar rental	135,496	138,507	139,949	145,188
Building/Land rent	543,113	544,316	637,609	698,269
Rental subtotal	**678,609**	**682,823**	**777,558**	**843,457**
Reimbursement income	**215,711**	**0**	**0**	**0**
Interest income	59,256	41,155	0	9,000
Miscellaneous revenue	138,611	98,597	52,812	119,050
Miscellaneous subtotal	**197,867**	**139,752**	**52,812**	**128,050**
Total	**2,499,287**	**1,874,572**	**2,926,982**	**2,401,723**

The Airport's property tax revenues are also hampered by the problems that impact other taxing districts in Gary. In the past several years, Lake County has been unable to certify assessments in a timely manner, generating late property tax bills, loss of some prior year revenues, and cash flow borrowings to bridge the gap until property tax revenues were available.[4]

The next largest revenue source comes from renting land, buildings or facilities to users. The Authority rents T-hangars, protective storage structures for small aircraft. The Authority planned to increase the T-hangar rental rates by five percent in 2010, but has since decided to maintain the existing fee due to concerns that higher rates would reduce customer demand and net revenue in the current environment. The Authority also rents space to other tenants, the largest of which is Boeing, budgeted at $357,000 in FY2009. The agreement with Boeing runs through April 2013 with options for extensions beyond that.

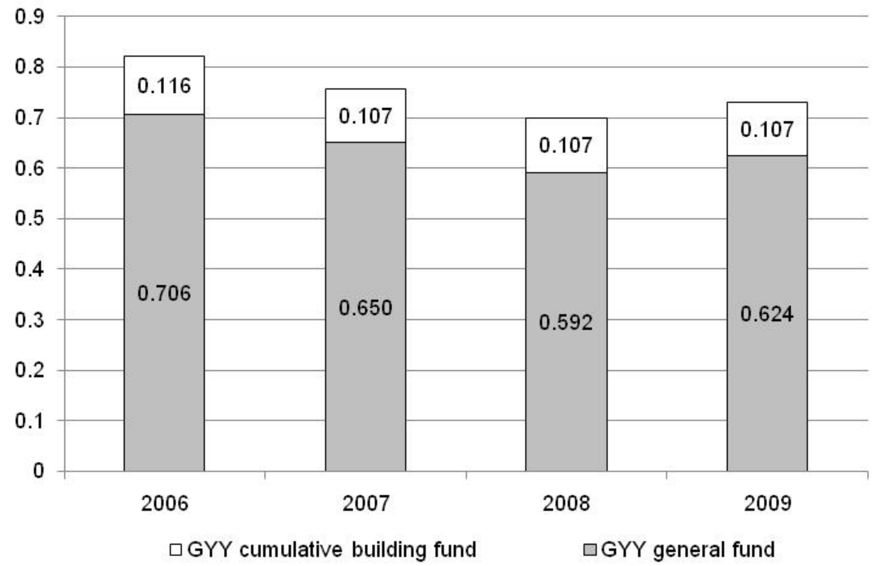
The Authority receives revenue from the City of Chicago through the 1995 Gary-Chicago Compact and has traditionally used that revenue for marketing. Because of the circuit breaker property tax credits established by Public Law 146 of 2008, the Authority is now using this revenue to support the costs of its Director, Deputy Director and Marketing Director positions. The City of Chicago may not allow the funds to be used for this purpose beyond this year.

Other than the General Fund, the Authority has others through which it funds capital projects. The Cumulative Building Fund holds federal LOI money for capital improvements, which were budgeted at

[4] Please see the Fiscal Monitor's report on the City of Gary for more discussion of these property tax collection issues.

$6.3 million for FY2009. The Cumulative Building Fund also receives revenue from a separate property tax levy. The rates for the two Airport property taxes since 2006 are shown below. These rates are levied on properties within the Gary Corporation limits. For an owner-occupied home with a median value of $70,800, the total rate translates to $49.49 in 2007 pay 2008 taxes and $51.75 in 2008 pay 2009 taxes.[5]

GYY Property Tax Rates (Mills per $1,000)



Source: Lake County Auditor Annual Reports; 2009 information provided by Auditor's Office

In addition to the federal LOI funding and the Cumulative Building Fund property tax, the Authority historically received revenue for capital projects from a Passenger Facility Charge (PFC) at O'Hare and Midway that funded capital projects. The FAA authorizes public agencies operating commercial airports to charge up to $4.50 per passenger. GYY is not eligible to levy PFCs on its own but Midway and O'Hare currently charge the maximum amount.[6] This revenue goes into a separate PFC account and can only be used to support FAA-approved projects related to safety, capacity building, noise reduction or competition stimulation. The Authority has not received any PFC revenue from the Chicago airports since 2005.[7]

Expenditures

The Authority's largest expense is for employee salaries and wages, which does not include the Director. A small portion of these expenses are budgeted to be charged against the federal LOI funding. Employee benefit costs account for another $242,000 in budgeted FY2009 expenses. The Airport's expenditures for employee health insurance appear flat over this period because there are two fewer employees receiving coverage in FY2009 than in FY2006.

---

[5] This is the US Census Bureau estimated median home value for the City of Gary for the period from January 1, 2006 – December 31, 2008. The estimated property tax amount assumes no exemptions or abatements that would lower the taxable value.

[6] The four Indiana airports with the most passenger enplanements each charge a PFC. Evansville Regional, Fort Wayne International and Indianapolis International are authorized to charge $4.50 per passenger. South Bend Regional is authorized to charge $3.00 per passenger.

[7] The Airport requested $9.5 million in PFC revenue from the FAA via the City of Chicago for the expansion project. To date, the Airport has not needed the funds to support the expansion project and has not requested them from Chicago.

Historical General Fund Expenditures – GYY

	Actual 2006	Actual 2007	Actual 2008	Budget 2009
Salaries and wages	778,588	913,382	883,444	854,235
Transfer to expansion program (LOI)	0	0	0	(29,440)
Salaries and wages subtotal	**778,588**	**913,382**	**883,444**	**824,795**
Employer Social Security	47,165	57,140	53,914	52,963
Employer Medicare	11,113	13,719	12,609	12,386
Employee retirement (PERF)	53,475	56,121	57,577	53,352
Employee health insurance	95,942	106,266	83,133	104,318
Worker's compensation	11,500	9,357	18,240	17,564
Unemployment compensation	1,628	1,849	1,765	1,617
Employee benefits subtotal	**220,822**	**244,453**	**227,238**	**242,200**
Other personnel costs	**0**	**175**	**190**	**3,550**
Repair parts	32,461	21,329	57,428	50,100
Gasoline	30,090	39,744	53,842	111,250
Other supplies	40,750	71,138	98,500	69,776
Supplies subtotal	**103,301**	**132,212**	**209,771**	**231,126**
Professional services	443,741	201,927	222,229	272,102
Airport rescue firefighter (ARFF)	43,396	48,680	43,899	28,375
Telephone & communication	68,621	70,080	63,445	58,976
Insurance	80,717	102,388	105,254	92,625
Electric, gas and water	314,177	284,907	266,225	363,500
Repairs & Maintenance	121,082	115,613	79,185	79,750
Other services	273,359	263,435	181,293	204,723
Services subtotal	**1,345,093**	**1,087,032**	**961,530**	**1,100,051**
Capital outlay	**22,584**	**23,865**	**11,991**	**488,481**
Total	**2,470,388**	**2,401,118**	**2,294,163**	**2,890,203**

The major items within the Professional Services expenditures are the Director's salary[8] and legal costs. The Authority budgeted $272,000 for professional services in FY2009 but spent $460,000 through

[8] The Director is a consultant position, not an employee of the Airport.

September, driven by $318,000 in legal expenses for a trial litigated case.[9] The professional service expenditures do not include those related to Landrum & Brown's study, as the Authority's share of those costs is funded out of the Cumulative Building Fund using LOI support. Through September 2009, the Authority spent $211,000 – more than the $79,750 budgeted – on maintenance partly due to $99,000 in necessary repairs to the Boeing hangar doors. This cost was reimbursed by the City of Chicago.

Certain expenditures vary according to the presence or absence of Airport tenants. For example, the Authority had higher expenditures for electric, gas and water utilities in 2006 because of commercial airline operations that year. The Authority also has an issue related to its sewer bill from the Gary Sanitary District. The Authority only billed the Airport for a portion of the charges due between September 2005 and mid-2009. At that point the Sewer Authority increased the charges to the full amount.

The Airport rescue firefighter (ARF) expenditures are the Authority's expenditures related to fire service. The City of Gary staffs a fire station at 6001 West Industrial Highway to protect the Airport. The station is staffed with two firefighter engineers-chauffeurs and one firefighter per shift plus an Airport Assistant Chief and an EMS supervisor.[10] The Airport owns the station building, covers most equipment costs, pays for the vehicles at the station (two crash/fire vehicles and a rapid intervention vehicle). The Authority also provided the City's Department of General Services with space while the City built a new General Services facility to replace one destroyed by a fire. The City plans to vacate that building before the end of the year and the structure will be removed as part of the Airport's development.

Comparing General Fund revenues and expenditures, the Authority appears to have positive operating results in 2006 and 2008 with a $527,000 deficit in 2007. This is partly due to the timing of the property tax revenue receipts. In 2007 the Authority only received the second installment of taxes due in 2006 and a small advance on the 2007 taxes. To meet its cash flow needs, the Authority transferred $450,000 into the General Fund ("transfer in"). In 2008 the Authority transferred in another $230,000. Later in 2008, once the Authority received the rest of the 2006 pay 2007 property taxes, the Airport repaid the $680,000 due to those other funds (transfer out). These internal transfers allowed the Airport to avoid issuing Tax Anticipation Warrants and incurring new debt service costs.

General Fund Results, 2006 - 2008

	Actual 2006	Actual 2007	Actual 2008
General fund revenues	2,499,287	1,874,572	2,926,982
General fund expenditures	2,470,388	2,401,118	2,294,163
General fund result/(deficit)	28,898	(526,545)	632,818
Transfer in	112,614[11]	450,000	230,000
Transfer out	0	0	680,000
Net result / (deficit)	141,512	(76,545)	182,818

The Authority has one variable rate debt issue in the amount of $4.1 million outstanding for the construction of the Gary Jet Center West Hangar. These special revenue bonds are secured by the Jet

[9] While the unanticipated litigation pushed spending beyond the budgeted levels, the Airport was able to avoid a potential multi-million dollar obligation through successful legal action.

[10] The fiscal monitor's report on the City indicates that this station (which is listed on the City Fire Department's website as Station No. 14) was owned by the City. The Airport provided them information presented here after the City's report was published.

[11] This transfer is due to the Airport moving money from the excess levy fund to the General Fund.

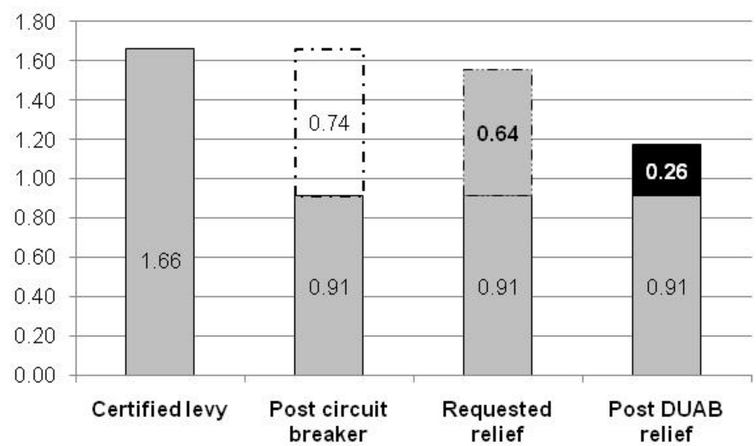
Center's lease payments to the Authority and a bank letter of credit that provides additional protection in the event that the Jet Center defaults on the bond payments. As noted in the Authority's 2006 and 2007 State Board of Accounts audit, the Authority loaned $325,000 from its Marketing Fund to help the passenger airline SkyValue continue operations in April 2007. SkyValue ceased operations in May 2007 and the Authority does not anticipate recovering these costs.

Challenges & Opportunities

With the current absence of commercial air service, the arrival of the National Guard, and other general aviation, cargo, and corporate activities, the Gary/Chicago International Airport provides a variety of services but is still developing its strategy for service expansion. The ongoing Landrum & Brown study is intended to give the Authority and other stakeholders perspective on the range of development strategies possible for GYY and help them decide what kind of facility the Airport should be. That decision will help prioritize future expenditures to support that development and highlight the revenues that should be generated to cover GYY's operating costs. In the meantime, the Authority is moving forward with plans to extend the runway, which will improve safety and allow GYY to accommodate a broader range of aircraft and services. That extension is a complicated, expensive and lengthy venture toward which the federal government and RDA have committed significant funding. The Authority is also operating the Airport according to the 2001 Master Plan that was approved by the FAA and other subsequent studies.

While these critical physical changes and strategic planning are underway, the Authority is struggling to maintain basic operations with a shrinking amount of revenue. As noted earlier, in 2009, the estimated certified property tax levy for the Authority absent any circuit breaker credit is an estimated $1.66 million for the General Fund and Cumulative Building Fund.[12] The circuit breaker credit authorized by PL 146 of 2008 reduced that amount by an estimated $745,000 to $913,000. The Authority petitioned the DUAB for $640,000 in relief and received $260,000, bringing the net revenue – the estimated amount the Authority would receive in 2009 assuming 100 percent collections and timely tax billing – to an estimated $1.17 million.

2009 Property Tax Levy, Circuit Breaker Credit and DUAB Relief ($ Million)



The Authority closed the remaining gap by using marketing funds from the Gary-Chicago compact to cover personnel costs instead and leaving vacant positions unfilled.

As part of its recent petition to the DUAB for property tax relief, the Airport projected its revenues for the General Fund and Cumulative Building Fund through FY2012. The Airport's projections are presented below (with the critical exception of property taxes, which are based on projections by Policy Analytics).

[12] This estimate provided by Policy Analytics on November 4, 2009.

Projected Revenue – GYY (General and Cumulative Building Fund)[13]

	2010 Budget	2011 Projected	2012 Projected	% Change
Property taxes	735,193	746,644	768,675	4.6%
Other taxes & local intergovernmental	339,691	331,691	331,691	-2.4%
User fees and charges	304,540	593,220	751,286	146.6%
Miscellaneous revenue	119,050	119,050	119,050	0.0%
Interest revenue	6,000	9,000	9,000	50.0%
Property rental revenue	852,901	867,358	878,664	3.0%
General Fund total	**2,357,285**	**2,666,963**	**2,858,336**	**21.3%**
Cumulative Building Fund total (w/o property taxes)	**6,464,653**	**6,384,653**	**6,384,653**	**-1.2%**
Total	**8,822,028**	**9,051,616**	**9,243,019**	**4.8%**

The property tax figures developed by Policy Analytics are based on the firm's model that uses individual parcels' value to estimate the amount of property tax revenue jurisdictions can collect each year.[14] These projections reflect the full amount that the Airport could collect for its General Fund and its Cumulative Building Fund each year assuming the property tax caps under Public Law 146 were fully implemented in FY2010. The projection also assumes 100 percent collection and timely receipt from Lake County, which collects property taxes on behalf of the Airport. While the Airport certainly would not achieve 100 percent collection of current year taxes, the combination of current year tax revenue and revenue from prior year taxes could equal 100 percent.

The Airport's revenue projections assume many sources have flat growth over this three year period. The City of Chicago's contribution is projected to decrease from $288,000 to $280,000 in FY2011. Within "other fees and charges," parking lot revenue is projected to grow from $20,000 in FY2010 to $273,000 in FY2011 and $410,000 in FY2012 because of service expansion. Almost all of the revenue in the Cumulative Building Fund comes from anticipated federal and state funding ($6.3 million or 97.7 percent in FY2010).

The Airport also projected its expenditures from its General Fund and Cumulative Building Fund through FY2012 in its DUAB petition. Those projections are presented in summary form below.

[13] These projections are presented in more detail in the Appendix. The revenues for the General Fund and Cumulative Building Fund are grouped together because Policy Analytics projects property tax revenues across both funds.

[14] Policy Analytics' work is the source for the property tax projections in the fiscal monitor's parallel report on the City and incorporates property values known as of November 3, 2009. The same source is used in this report for consistency.

Projected Expenditures – GYY (General and Cumulative Building Fund)[15]

	2010 Budget	2011 Projected	2012 Projected	% Change
Personnel	1,071,699	1,138,599	1,193,030	11.3%
Supplies	212,797	207,797	207,797	-2.3%
Other services and charges	1,117,227	1,319,851	1,385,010	24.0%
Capital outlays	285,777	83,070	12,920	-95.5%
General Fund total	**2,687,500**	**2,749,317**	**2,798,757**	**4.1%**
Cumulative Building Fund total	**6,491,988**	**6,457,192**	**6,422,397**	**-1.1%**
GYY Total	**9,179,488**	**9,206,509**	**9,221,154**	**0.5%**

Within the personnel category, employee salaries are projected to grow by 9.9 percent from $805,000 in FY2010 to $884,000 in FY2011. They grow by 2.3 percent in FY2011. Health insurance expenditures grow by 6.9 percent from $104,000 in FY2010 to $112,000 in FY2011 and then remain flat in FY2012. Most other General Fund expenditures are projected with no growth over this three-year period. The Airport's contribution to the cost of Airport fire rescue is projected to grow from $24,000 in FY2010 to $78,000 in FY2010. Utility expenses are projected to grow by 18.4 percent over this period from $364,000 in FY2010 to $431,000 in FY2012.

Taking the revenue and expenditure projections together, the Airport would have a $357,000 deficit in FY2010 and then have a modest positive balance of $22,000 at the end of FY2012.

Net Result – Projected Revenues vs. Projected Expenditures

	2010 Budget	2011 Projected	2012 Projected	% Change
Total revenues	8,822,028	9,051,616	9,243,019	4.8%
Total expenditures	9,179,488	9,206,509	9,221,154	0.5%
Surplus/ (Deficit)	**(357,460)**	**(154,893)**	**21,865**	**N/A**

Other Indiana regional airports

As noted above, Landrum & Brown is assessing alternatives for developing the Airport so that the Board and stakeholders can select the best service mix to develop the regional economy and generate revenue to support the Airport's operations. While that strategy will be unique to GYY's circumstances and strategic strengths, it is instructive to consider the experience of Indiana's other airports, with a particular focus on their governance and funding structures. There are four airports in Indiana with more enplanements than Gary in 2007 – Indianapolis International (IND), South Bend Regional (SBD), Fort

[15] These projections are presented in more detail in the Appendix. The expenditures for the General Fund and Cumulative Building Fund are grouped together because Policy Analytics projects property tax revenues across both funds.

Wayne International (FWA) and Evansville Regional (EVV). Given the much larger scale of Indianapolis International's services, it is not considered here.

Indiana Airport Enplanements

	2005	2006	2007
South Bend Regional (SBD)	349,847	378,909	398,500
Fort Wayne International (FWA)	307,682	268,122	289,210
Evansville Regional (EVV)	244,352	234,308	222,654
Gary/Chicago International (GYY)	*17,935*	*2,512*	*16,223*

South Bend Regional Airport

South Bend Regional Airport (SBD) is a full service commercial airport classified by the FAA as a "Small Hub." With three runways and two terminals, SBD is served by Allegiant Air, Continental Connection, Delta and United airlines. Passengers can fly from SBD to St. Petersburg, Las Vegas, Orlando, Cleveland, Atlanta, Cincinnati, Minneapolis and Chicago. Along with the commercial flights, SBD hosts cargo flights for DHL, UPS, Federal Express, United States Postal Service Express Mail and several smaller freight carriers.

SBD functions as an intermodal transportation hub; passengers can connect to train and bus service at the Airport. The South Shore Railroad connects the Airport with downtown Chicago. Coach USA, Greyhound and "Transpo" (South Bend Public Transportation Corporation) connect SBD with other destinations.

The Airport is operated by the St. Joseph County Airport Authority, which in turn is governed by a four-member board appointed by the St. Joseph County Board of Commissioners. In 2008 the Authority reported $11.7 million operating expenditures with personnel costs accounting for $4.9 million.[16] Over the same period SBD reported $6.4 million in operating revenues with parking (40.1 percent), terminal aviation (20.0 percent) and concessions (17.1 percent) contributing the largest shares.

The remainder of SBD's revenues comes from non-operating sources including property taxes ($2.9 million in FY2008). The tax is levied on a countywide basis with the following certified rates in effect in 2008:

- General fund rate of 0.1950 mills per $1,000 in assessed value
- Debt service rate of 0.0770 mills per $1,000 in assessed value
- Cumulative building rate of 0.0200 mills per $1,000 in assessed value
- **Total rate of 0.292 mills per $1,000 in assessed value**

Fort Wayne International Airport

The Fort Wayne International Airport (FWA) is designated as a primary commercial service airport. With three runways and one terminal, FWA is served by Allegiant Air, American Eagle, American Connection Delta Connection (through several smaller carriers) and United Express airlines. Passengers can fly from FWA to Atlanta, Chicago, Cincinnati, Dallas and Detroit. Along with commercial flights, FWA provides

[16] South Bend Regional Airport. FY2008 Comprehensive Annual Financial Report.

cargo service for UPS and Federal Express. FWA is also the home for the Fort Wayne Air National Guard Station.

The Airport is publicly owned and controlled by the Fort Wayne/Allen County Airport Authority, which in turn is governed by a six member board. Three members are appointed by the Mayor of the City of Fort Wayne and three by the Allen County Commissioners.

In FY2008 the Authority reported $17.8 million in operating expenditures.[17] That year FWA had $8.1 million in operating revenues with terminal (36.9 percent), parking (27.7 percent) and airfield revenues (16.1 percent) accounting for the largest portions.

The remainder of the FWA revenue comes from non-operating sources including property taxes ($3.6 million) that flow into the operating and cumulative building funds. The Authority does not have a levy for debt service. The tax is levied on a countywide basis with the following certified rates in effect in 2008:

- General fund rate of 0.2000 mills per $1,000 in assessed value
- Cumulative building rate of 0.0330 mills per $1,000 in assessed value
- **Total rate of 0.2330 mills per $1,000 in assessed value**

Evansville Regional Airport

The Evansville Regional Airport (EVV) is a publicly owned airport three miles north of Evansville's central business district. With three runways and two terminals, EVV is served by American and Delta airlines (with Delta operating flights through partner regional carriers). Passengers can fly from EVV to Atlanta, Chicago, Cincinnati, Dallas, Detroit and Memphis. Tri-State Aero, a private firm, offers business travel service at EVV. The Airport is publicly owned and managed by the Evansville-Vanderburgh Airport Authority which in turn is governed by a six member Board of Trustees. Three of the members are appointed by the Mayor of the City of Evansville and three by the Vanderburgh County Commissioners.

In FY2008 the Authority reported $8.8 million in operating expenditures, including $2.9 million in personnel related costs.[18] EVV had $5.2 million in operating revenues that year, with airline income (35.5 percent), parking (23.0 percent) and car rental agency payments (15.4 percent) accounting for the largest portions.

The balance of EVV's revenue comes from non-operating sources, the largest of which is Passenger Facility Charges. The Authority does not levy a property tax, but did designate all property acquired before February 25, 2008 as a Tax Incremental Financing Allocation Area (TIF District) and an Airport Development Zone. The TIF District allows the Airport to capture incremental property taxes on properties in the area which can then be directed to development efforts. The Airport Development Zone functions like an enterprise zone; businesses and/or their employees within the zone are eligible for certain tax credits.[19] The Airport also has non-traditional properties including a golf course (which operated at a loss in FY2008) and an 83,000-square foot hotel. In November 2009 the Authority auctioned off the lease to operate the hotel, while retaining ownership of the land.

Lessons for GYY

As noted earlier, progress at GYY should follow a strategy that fits its unique circumstances and assets. However, the experience of these more fully developed airports – which serve communities of similar size in Indiana, and which have commercial airline passenger service – underlines two challenges that the Gary community should consider along with the options presented by Landrum & Brown.

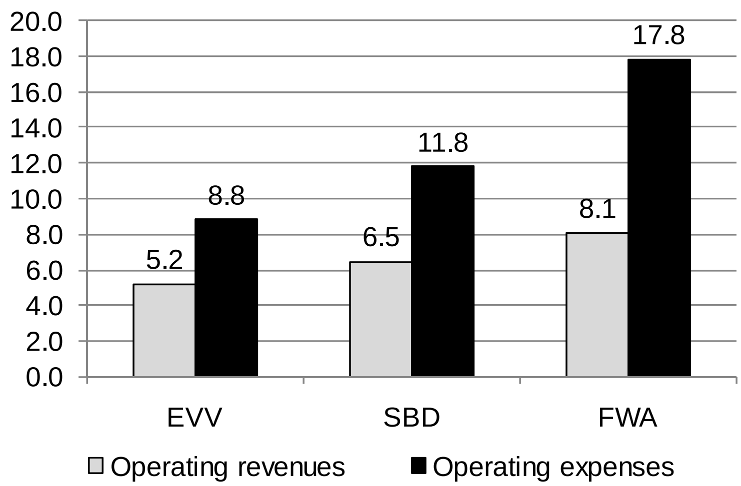
[17] Fort Wayne-Allen County Airport Authority. FY2008 Comprehensive Annual Financial Report.

[18] Indiana State Board of Accounts. FY2008 Annual Financial Report for the Evansville-Vanderburgh Airport Authority District.

[19] GYY also has an airport development zone.

- **Funding challenge:** All three airports host multiple commercial airlines that connect with other destinations through which passengers have even more travel options. All three airports also supplement that commercial service with some other service, whether cargo, serving as host to a National Guard installation or operating a golf course and hotel. Despite this diversity of services and a significantly higher number of passenger enplanements than GYY, none of these airports are generating enough operating revenue[20] to cover their operating expenditures. In 2008 even Indianapolis International Airport did not fully cover its operating costs ($133.2 million) with operating revenues ($111.9 million).[21]

Operating Costs vs. Operating Revenues, FY2008



The gap between operating revenues and expenses in FY2008 may be at least partially related to the national recession that has reduced commercial travel and other revenue-generating activities in the aviation industry. However, this gap underscores the possibility that GYY will need some permanent source of revenue other than those generated by its services to support the cost of operations. While increased service at GYY will certainly increase revenues, there will also be corresponding expenditure increases that erode, if not completely consume, the revenue gained. More services will require more staffing, more facility and maintenance upkeep, higher utility costs, and more. SBD and FWA have filled this operating gap using the county property tax.

- **Governance challenge:** The host counties play a more significant role in the governance of EVV, FWA and SBD than Lake County does at GYY. St. Joseph County appoints all the board members for SBD's governing authority. Allen County and the City of Fort Wayne split the appointments for FWA as do Vanderburgh County and the City of Evansville at EVV. In comparison Lake County has one of seven appointees on the Gary/Chicago International Airport Authority. The shared governance correlates with a broader tax base to support the three airports. The property tax that supports SBD and FWA are levied on a countywide basis, unlike GYY's tax which is only levied on City of Gary taxpayers. The broader tax base insulates the airports from the full impact of fluctuations in assessed value and other factors that alter an individual municipality's property tax revenues. Perhaps most important, the regional governance of the other Indiana airports reflects their status as regional assets supported by a regional tax base.

[20] Passenger Facility Charge revenues are considered non-operating revenues in the FY2008 audits of all three airports.

[21] Indianapolis Airport Authority. FY2008 Comprehensive Annual Financial Report.

Privatization

In preparing this report, various stakeholders suggested to the fiscal monitor that privatization of all or part of the operations of GYY could allow the airport to be operated at a profit and possibly provide a substantial payment to the City of Gary to address its financial challenges.

There is no question that the airport occupies a valuable regional strategic position. GYY has easy access to Chicago and the Lake Michigan waterfront, is adjacent to major rail lines and highways, and serves as the primary reliever for two airports that are among the busiest passenger facilities in the nation. Depending on development patterns and growth in regional air traffic, the airport could fill various roles in one of the nation's largest markets.

At the same time, even though private ownership and operation of airports is not uncommon in other parts of the world, the United States' experiment with the sale of airports has slowed. In 1997 the federal government entered into a process to designate one large hub airport and several smaller airports to participate in the privatization pilot experiment. The deal to sell Chicago's Midway airport, the designated hub, collapsed earlier this year. While the City of Chicago received a substantial one-time payment as a result, it lost the much larger long-term stream of revenue associated with the sale of Midway. Only one airport has been privatized under the program.

Therefore, while the sale of GYY to a private airport operator is not out of the question, it cannot be considered imminent since the facility is not in the pilot program and there is no current movement in that direction.[22] Moreover, given the difficulty to date in achieving progress on defining a stable operating role for the airport, sale should not be considered an option in the near term covered by this report. Finally, under the terms of the compact with the City of Chicago, the Chicago-Gary Regional Airport Authority would have to approve any such sale or transfer. However, the consultant team recognizes that because of the significant potential value of the airport, and the demonstrated capability of private operators to successfully manage airports internationally, the issue of current and future ownership of the airport will affect discussions about its role and structure in the short- and long-term. Given these factors, some level of privatized operations is a more likely option for GYY to consider in accommodating the property tax caps.

Initiatives

The recommendations in this report are intended to respond to the fiscal monitor's assignment to assess the impact of the property tax caps on the airport and to suggest means to live within the new, lower property tax allocations. Because the airport has a small budget and must provide certain mandatory services – for example, to maintain its reliever status it must have staff available to keep runways maintained and open at all hours in all weather, and must maintain fire service – there are not substantial service reductions that can be made at GYY. Rather, the options are to find other sources of revenue, find ways to operate more cheaply, or to cease operations.

This fiscal monitor report presumes that closing the airport is not a desirable outcome for the City of Gary, Lake County, the State of Indiana or other regional stakeholders. At the same time, the State of Indiana has legislated a policy change, directing local government units to reduce reliance on the property tax and increase the amounts of funding generated from user fees and other revenue sources. Therefore, the initiatives here focus on small and large steps that can be taken to keep the airport open even with lower property tax revenue.

[22] The strategic location of the airport could make it valuable for other uses as well, such as an intermodal facility or brownfield manufacturing site. There has been no significant public discussion of shifting the use of the airport site, and even if desirable such a change would likely take years given restrictions related to the various investments in the airport facility. Therefore, the use of the airport for non-airport purposes is not considered here.

It should be noted that because smaller airports are rarely self-sufficient, many of the most important initiatives for GYY cannot be undertaken unilaterally by the airport, but require a cooperative solution from city, county, regional and state leaders who value the current service and future potential of GYY. This fiscal monitor report presumes that these leaders will use the upcoming Landrum & Brown report and the budget projections presented here to move rapidly during 2010 to find a new, workable mission and stable funding source for the airport rather than jeopardizing the facility's current FAA reliever status and allowing this critical resource to close.

AR01.	**Periodically adjust fees, rental rates and charges for service**			
	FY2010 Impact:	N/A	**Three Year Impact:**	N/A

To maintain cost recovery from the businesses, entities and individuals who use GYY's current or future services, the Airport should continue to periodically review and adjust its fees, rental rates and any service charges. The cost of providing services naturally increases over time and the associated charges should also increase to contain or reduce the share of operating costs borne by the tax base. Fees and service charges may be adjusted on an *ad hoc* basis, but a better approach is to establish a clear policy where fees and services are indexed to the rising cost of providing service and periodically reviewed to ensure they are competitive with other airports. This provides a more gradual, automatic adjustment that is less dramatic for service users and more predictable for the Airport.

It is acknowledged that in the current airport structure GYY has several multi-year agreements that generally cannot be adjusted annually, and the airport maintains some of its other customers due to price differential (especially in comparison to O'Hare and Midway). Therefore, this recommendation is intended to support an ongoing review of rates and fees, which should be undertaken with consideration of the airport's costs and its competitive position. Recently, the Airport has examined its fees annually.

AR02.	**Restructure employee health insurance (City recommendation)**			
	FY2010 Impact:	N/A	**Three Year Impact:**	N/A

As noted above, Airport employees receive health insurance through the City of Gary with the Airport covering the employer contribution. The fiscal monitor is recommending changes to the City's health insurance cost sharing arrangement and plan design to help the City achieve critically needed savings. For example, the fiscal monitor recommends that City employees covered by the Health Maintenance Organization (HMO) plan would pay 25 percent of the monthly premium and employees choosing the more generous Preferred Provider Organization (PPO) plan would pay 100 percent of the cost difference between the HMO and PPO coverage. Since these changes would also affect Airport employees, the Airport may also receive savings.[23] Please see the Workforce Chapter of the fiscal monitor's report on City operations for more details.

AR03.	**Share cost of City Fire Station 14 (City recommendation)**			
	FY2010 Impact:	N/A	**Three Year Impact**	($1,362,000)

The City provides fire protection services to the Gary/Chicago International Airport at Station 14, which is owned and maintained by the Airport but staffed by two firefighter engineer-

[23] The Airport currently pays $600 per month per employee for health insurance. Whether the Airport would achieve savings and how much depends on the nature of the cost sharing arrangement and the coverage Airport employees currently have (i.e. HMO or PPO, single or family).

chauffeurs and one firefighter. This staff operates two crash/fire trucks and a rapid intervention vehicle. Multiplying this level of staffing by three shifts and accounting for a relief factor of 1.20[24] yields an estimated 12 employees.[25]

Estimated Station 14 Personnel Costs

Position	Salary	Employees	Cost
Firefighter-Engineer	41,271	8	330,168
Firefighter	39,304	4	157,216
Total	**80,575**	**12**	**487,384**

Beyond the salary costs, the City provides employee health insurance coverage (budgeted at $600 per employee per month), contributes to the employee pension benefits (budgeted at 19.5 percent of salary[26]) and pays payroll taxes (budgeted at 7.65 percent of salary). This does not include costs related to employee premium pay, uniform allowance or any overtime required to staff the station. The firefighters also need turn out gear, which should be supplied by the Authority.[27]

Estimated Additional Cost of Operating Station 14

	FY2010	FY2011	2012	Total
Salary costs	487,384	487,384	487,384	1,462,152
Insurance	86,400	95,558	105,688	287,646
PERF	95,040	99,792	104,781	299,613
FICA	37,285	37,285	37,285	111,855
Turn-out gear	3,600	3,600	3,600	10,800
Total	**709,709**	**723,619**	**738,738**	**2,172,066**

For FY2006 through FY2008, the Airport paid approximately $45,000 per year from its General Fund for equipment, vehicles and employee training. In the Airport's FY2009 budget, the allocation dropped to $28,000.

The Airport relies on the proximity of Station 14 to provide adequate fire and EMS coverage in accordance with Part 139 requirements. The Airport is also a regional asset that has value to businesses and residents beyond the City of Gary. Therefore, the City should not shoulder the full staffing costs of providing protection to this regional asset. The City and Authority should discuss a more comprehensive cost sharing arrangement during FY2010 to take effect in FY2011.[28] Alternatively the Authority could explore other alternatives for securing the fire protection it needs, such as contracting with a private entity.

[24] The relief factor is the number of people required to cover one position, accounting for scheduled absences (vacation leave) and unscheduled absences (sick leave).

[25] The Department also may assign EMS staff to Station No. 14 for response to incidents at the Airport, which would increase the costs of operating Station No. 14.

[26] The Authority notes that its own contribution to employee pension benefits under PERF is 7.0 percent with the employees paying their own 3.0 percent contribution.

[27] The City does not have a regular replacement cycle for turnout gear, which is recommended in the Fire Department chapter of the fiscal monitor's report on the City.

[28] Like the Airport, the City has to operate within the property tax caps established under Public Law 146. The City filed a petition with the DUAB for relief in 2009 and is 2010. The City and its own unique set of challenges are addressed more fully in a separate assessment.

Fiscal Impact

FY2010	FY2011	FY2012	Total
0	724,000	739,000	1,362,000

AR03.	Explore regionalization			
	FY2010 Impact:	N/A	**Three Year Impact:**	N/A

The experiences of the other Indiana airports serving cities of similar size to Gary may not be good predictors for what will happen in GYY as it develops, especially given Gary's proximity to Chicago and participation in the regional airport system through the Chicago-Gary Regional Airport Authority. The profiles of other Indiana airports, however, demonstrate that development alone may not generate enough revenue to fully support the Airport's operations and allow the current property tax levy to be eliminated. Even with more services, GYY will likely need some source of non-operating revenue. For at least two of the other Indiana regional airports – South Bend and Fort Wayne – that source is a property tax levied at the County level.

Establishing a regional governance and funding structure may be more difficult in Gary than in the other three cases. First, to some degree the revenue from Chicago has historically played a role for the Gary airport similar to the county funding for other Indiana airfields.[29] The board of the Gary-Chicago International Airport Authority includes some county representatives, but is not close to the power-sharing balance in the South Bend, Fort Wayne and Evansville authorities (the board of Chicago-Gary Regional Airport Authority is inherently regional, but does not include designated county or regional seats for Indiana). Also, the recent referendum defeat of a regional transit district structure for northwest Indiana indicates that there is little immediate appetite for any new regional tax or even grant support. This is especially true when it may be difficult to communicate GYY's value as a regional asset to municipalities outside Gary until the L&B study is complete and there is a clearer understanding what services GYY will provide. Finally, although Gary is presently unable to provide needed support to the airport, it may be unwilling to cede an equity interest in a strategic asset that some perceive as having substantial future value.

However, to the extent that Gary, the region and the state want to preserve that value, continuing to operate the airport and not risk losing its current Part 139 status and certifications while a long-term business and strategic plan is finalized and implemented, action is needed now rather than later. With the reduction in property tax funding from the Gary tax base and the need for the City of Gary to phase out financial support for fire service at the airport, the City, counties, region and state must come up with a new funding structure for GYY in 2010 or face the likelihood that it will not be able to meet its operating commitments.

The broad elements of a new regional funding structure are as obvious as the details are unclear. Depending on the recommendations of the Landrum & Brown study, the pace of national economic recovery, and the timing of final resolution of the airport's physical issues, stakeholders should identify a three to ten year plan for bridging the airport to a stable operating and governance structure. While it is likely that such a structure may still require non-operating support beyond taxes and airport charges, presumably an upgraded airport with a

[29] Given Chicago's own financial difficulties and the uncertainty whether it can continue providing the same operational support that it did in FY2009, Chicago parties may be receptive to broadening GYY's tax base.

clearly-articulated, politically-supported regional mission and benefit will be more likely to receive that support.

In the interim, the funding plan could include all or some of the following elements:

Continued property tax funding at the lower levels permitted by the tax caps. Over time, as the airport becomes more of a regional resource – and perhaps more regionally governed – this source could be replaced in large part by a tax with a broader base than Gary property owners.

Continued support from the City of Chicago. While Chicago is facing its own budget challenges, it benefits greatly from having a significant voice at the third regional airport. Chicago's support should continue, and funding should be unrestricted given the current needs at GYY.

Expansion of RDA assistance to operating support. While the RDA has properly focused on funding GYY capital efforts, the RDA is currently the only regional body with substantial resources to help keep the airport operating while its future is debated and resolved.

Lake County support. The benefits of GYY accrue most substantially to Lake County, since the airport is located there. Operating budget support from the County, similar to what the South Bend and Fort Wayne airports receive, would be most valuable during this interim period. In light of the County's own budget difficulties, in-kind operating support may be most achievable at the beginning of the transition period.

State aid. The State has not traditionally provided operating assistance to regional airports, and has provided capital support for GYY through the sale of the Indiana Toll Road concession and resulting funding through the RDA. Like the other stakeholders, however, the State will need to consider whether a structure that offers a more focused strategic direction and stable funding source – perhaps with enhanced state guidance and control – is of sufficient benefit to Indiana as a whole to justify participation in the interim funding structure.

AR04.	**Explore new operational structures**			
	FY2010 Impact:	N/A	**Three Year Impact:**	N/A

While the airport's current staff is small, it is required to maintain and operate the airfield, undertake marketing and development efforts, and manage its staff and finances. The fiscal monitor believes it is unlikely, but possible, that a private airport operator would be willing to take over GYY operations at a cost that is substantially below the current operating expenditures of the airport.

However, it is possible that certain functions could be performed at a lower cost with no impact on the quality of service provided to airport customers and a level that meets federal standards. It is recommended that the executive director and authority board consider issuing discussions with current tenants and/or requests for qualifications for some of the following alternatives in order to determine whether there is interest in such services and whether a full RFP process is worthwhile:

- Full contract operations;
- Options for partial contract service including field operations and maintenance, bookkeeping/finance, marketing, and fire suppression/accident response. The fire services option should be explored with Chicago to determine whether that City could expand services to GYY given existing service to O'Hare and Midway;

- Assumption of all or selected functions by the Gary Jet Center or Boeing.

Note that any privately-provided operations would have to meet federal standards for reliability and accountability.

DUAB recommendations

Based on its work in Gary, the initiatives in this report, and the Airport's projections, the fiscal monitor recommends that the DUAB approve property tax cap relief in FY2010 and FY2011 commensurate with the property tax revenue amounts estimated by Policy Analytics, with achievement of the full tax cap rate in 2012.

Based on the November 2009 Policy Analytics update, those amounts (for the Airport's General Fund and Cumulative Building Fund) are:

Gary/Chicago International Airport
Property Tax Amounts, 2010-2012

	2010	2011	2012
Gary/Chicago International Airport	$1,037,928	$903,302	$768,675

This approach will provide the Airport, the City, the County, regional agencies and the State one year to devise a new, reliable funding structure for the facility that will enable it to continue operations with lower property tax revenue from City of Gary. As shown in the table below, after 2010, the transfer of the full cost of fire service to the airport combined with declining local property tax revenues will create significant deficits for the Airport. It is assumed that the Authority can address the Fy2010 deficit of $55,000 (0.6 percent of total revenues) through deferring purchases or minor operational adjustments.

Note that the actual gap in future years may be different from projections provided in this report. The Airport's projections assume that most costs will be stable in future years, and the stakeholders have much to do to identify funding sources after the L&B report is completed, considered and acted upon. Nevertheless, this approach provides a defined period in which the Airport's fate must be decided.

Gary/Chicago International Airport
Adjusted Projections (with tax cap phase in)

	2010 Budget	2011 Projected	2012 Projected	% Change
Total revenues	9,124,763	9,208,274	9,243,019	1.3%
Total expenditures	9,179,488	9,930,509	9,960,154	8.5%
Surplus/ (Deficit)	**(54,724)**	**(722,235)**	**(717,135)**	**N/A**

Appendix – Detailed Revenue and Expenditure Projections

With the exception of property tax revenue, the revenue projections presented here come from the Airport's recent petition to the DUAB. The property tax figures come from Policy Analytics projections of how much revenue the Airport would receive for its General Fund and Cumulative Building Fund under the following conditions:

- The property tax caps enacted under Public Law 146 of 2008 take full effect in FY2010.
- The Airport would receive 100 percent of the amount due under the property tax caps in each year. While current year collections would not reach 100 percent in any year, it is possible that the combination of current year revenues and the revenue associated with prior years' property taxes could reach the 100 percent threshold.
- Property tax projections are based on an estimated certified levy according to property values known on November 3, 2009.

GYY – Projected Baseline Revenue (General and Cumulative Building Fund)

	2010 Budget	2011 Projected	2012 Projected	% Change
Property taxes	**735,193**	**746,644**	**768,675**	**4.6%**
Financial institution tax	4,525	4,525	4,525	0.0%
Auto excise tax	37,895	37,895	37,895	0.0%
CVET	9,271	9,271	9,271	0.0%
Local intergovernmental	288,000	280,000	280,000	-2.8%
Other taxes & local intergovernmental	**339,691**	**331,691**	**331,691**	**-2.4%**
Fuel flowage charges	160,632	178,162	195,978	22.0%
Terminal user fee	16,500	34,650	38,400	132.7%
Landing fees	92,608	92,608	92,608	0.0%
Aircraft parking fees	6,300	6,300	6,300	0.0%
Airshow parking fees	8,500	8,500	8,500	0.0%
Parking lot revenue - net	20,000	273,000	409,500	1947.5%
User fees and charges	**304,540**	**593,220**	**751,286**	**146.7%**
Late charges	650	650	650	0.0%
Miscellaneous revenue	500	500	500	0.0%
Misc. revenue - Buffington	110,000	110,000	110,000	0.0%
Security charges/misc. revenue	4,500	4,500	4,500	0.0%

	2010 Budget	2011 Projected	2012 Projected	% Change
Badge renewal	3,300	3,300	3,300	0.0%
Lost badge charges	100	100	100	0.0%
Miscellaneous revenue	**119,050**	**119,050**	**119,050**	**0.0%**
Interest revenue	**6,000**	**9,000**	**9,000**	**50.0%**
T-Hangar	145,188	149,544	154,030	6.1%
Burrell Colors	9,535	10,012	10,512	10.2%
Allard Rental	9,846	10,229	10,229	3.9%
Land lease - Gary Jet Center	34,107	36,530	36,966	8.4%
Cardinal Property Manager	102,438	105,512	108,677	6.1%
Gary Jet L. #2	24,000	24,000	24,000	0.0%
Gary Jet L. #3	24,000	24,000	24,000	0.0%
Gary Jet L. #4 - Ground lease	40,491	41,706	42,957	6.1%
Whiteco Ground lease	15,504	15,969	16,448	6.1%
National Guard	47,284	47,284	47,284	0.0%
Enterprise Rental	6,546	6,731	6,731	2.8%
The Boeing Company	356,880	356,880	356,880	0.0%
Large Hangar	30,900	32,779	33,768	9.3%
Lewick Hangar	6,182	6,182	6,182	0.0%
Property rental revenue	**852,901**	**867,358**	**878,664**	**3.0%**
General fund total	**2,357,375**	**2,666,963**	**2,858,366**	**21.3%**
Cumulative Building Fund Revenue (non-property taxes)	**6,464,653**	**6,384,653**	**6,384,653**	**-1.2%**
GYY Total	**8,822,028**	**9,051,616**	**9,243,019**	**4.8%**

The expenditure projections presented here come from the Airport's recent petition to the DUAB.

GYY – Projected Baseline Expenditures (General and Cumulative Building Fund)

	2010 Budget	2011 Projected	2012 Projected	% Change
Salaries & Wages	804,795	884,235	904,235	12.4%
Salaries & Wages - OT	20,000	20,000	20,000	0.0%
Salaries & Wages - LOI project	0	(29,440)	0	N/A
Employer Social Security	63,097	69,174	70,704	12.1%
PERF	57,636	61,236	64,696	12.3%
Employee health insurance	104,296	111,518	111,518	6.9%
Worker's compensation	18,316	18,316	18,316	0.0%
Unemployment compensation	1,309	1,310	1,310	0.1%
Other personal services	2,250	2,250	2,250	0.0%
Personnel	**1,071,699**	**1,138,599**	**1,193,030**	**11.3%**
Office supplies	7,075	7,075	7,075	0.0%
Office minor equipment	5,000	0	0	-100.0%
Gasoline	82,982	82,982	82,982	0.0%
Repair parts	55,600	55,600	55,600	0.0%
Other supplies	60,050	60,050	60,050	0.0%
Wildlife management	900	900	900	0.0%
Uniforms	1,190	1,190	1,190	0.0%
Supplies	**212,797**	**207,797**	**207,797**	**-2.3%**
Professional services	272,102	272,102	322,102	18.4%
Security services	34,804	34,804	34,804	0.0%
Landscaping services	25,000	25,000	23,105	-7.6%
Janitorial services	50,000	98,368	98,368	96.7%
Airport Fire Rescue	24,119	78,375	78,375	225.0%
Marketing	0	50,000	50,000	N/A

	2010 Budget	2011 Projected	2012 Projected	% Change
Travel & Education	33,160	33,160	33,160	0.0%
Telephone	40,100	40,100	40,100	0.0%
Postage & Handling	3,450	3,450	3,450	0.0%
Computer Support	10,000	10,000	10,000	0.0%
Board Meeting Attendance	5,390	5,390	5,390	0.0%
Printing & Advertising	1,190	1,190	1,190	0.0%
Insurance	100,250	100,250	100,250	0.0%
Electricity, Gas & Water	363,500	413,500	430,554	18.4%
Repairs & Maintenance	113,652	113,652	113,652	0.0%
Rents	27,140	27,140	27,140	0.0%
Subscriptions & Dues	11,260	11,260	11,260	0.0%
Other charges & services	610	610	610	0.0%
Bottled water	1,500	1,500	1,500	0.0%
Other services and charges	**1,117,227**	**1,319,851**	**1,385,010**	**24.0%**
Capital outlays	**285,777**	**83,070**	**12,920**	**-95.5%**
General fund total	**2,687,500**	**2,749,317**	**2,798,757**	**4.1%**
Cumulative Building Fund total	**6,491,988**	**6,457,192**	**6,422,397**	**-1.1%**
GYY Total	**9,179,488**	**9,206,509**	**9,221,154**	**0.5%**