Lee's Summit Municipal Airport
2021 Business Plan
FINAL TECHNICAL REPORT

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In association with CMT

TABLE OF CONTENTS

SECTION 6: REVENUE ENHANCEMENT OPTIONS

SECTION 7: RECOMMENDED PLAN

LIST OF FIGURES

LIST OF TABLES

APPENDIX

Section 1

Introduction

LEE'S SUMMIT MUNICIPAL AIRPORT BUSINESS PLAN

1.1 INTRODUCTION

THE PURPOSE OF THIS BUSINESS PLAN for Lee's Summit Municipal Airport (LXT) is to build on the recommendations of the previous business plan and move the Airport to the next level of service and financial production. Much of this planning effort is devoted to updating the previous plan, while the remainder of this work is to establish new goals, new methods, and new recommendations for achieving the vision established for the Airport's future. Our understanding of the current situation involves several components, including the Airport's competitive setting, the highest and best use of Airport property, the attraction of new corporate aviation, the potential for hangar development, the high growth of the City of Lee's Summit, and the opportunity of the Sponsor to examine the Airport branding and marketing program. This Business Plan is being conducted concurrently with the Airport's Master Plan. As such, both planning efforts will benefit from coordinating findings, forecasts, and strategic recommendations.

Figure 1-1 – Cessna Longitude Business Jet

1.2 MISSION AND VISION STATEMENTS

THE LEE'S SUMMIT PUBLIC WORKS DEPARTMENT (LSPW) operates the municipal Airport and has adopted the following Mission and Vision Statements for its facilities:

Mission Statement

LSPW is committed to promoting and supporting our community's quality of life by working to provide:

- Safe and Efficient Infrastructure
- Responsive Services
- Ethical and Equitable Customer Service

Vision Statement

LSPW aspires to provide outstanding services in an effort to achieve community and organizational goals in accordance with the City's core values. Growth, redevelopment, and maintenance will be accommodated through progressive planning and implementation. Employees are critical to our success and we are committed to promoting a positive work environment.

Lee's Summit Strategic Plan Mission and Vision[1]

In 2019, the City engaged in a strategic planning process – Ignite! Your ideas. Our future. – to capture the long-term vision for the community and provide direction for the organization. The strategic planning effort established the following city-wide Mission and Vision statements:

- ***Mission:*** To enrich lives in our community through collaboration, creativity, and commitment.
- ***Vision:*** A vibrant community ensuring the finest quality of life for all generations.

These mission and vision statements established in the City's strategic plan reinforce the mission and vision outlined for LXT. As LSPW supports the quality of life providing vital infrastructure and services, the Airport serves an integral role in the achievement of those goals. These statements provide the basis for defining the Airport mission. The work on this business plan is an example of proactive planning to ensure that the Airport is improved in an effective and efficient manner.

1.3 AIRPORT MISSION

LEE'S SUMMIT MUNICIPAL AIRPORT'S ROLE IS THAT of a general aviation facility, providing general aviation services for regional air transportation. Lee's Summit Municipal Airport is a designated reliever to Kansas City International Airport and accommodates general aviation activity including all types of piston, turbo prop, and jet business aircraft. The Airport is operated by the Lee's Summit Public Works Department (LSPW) but is subject to administrative and legislative control by other municipal departments and the City Council.

The mission and vision statements for both the LSPW and the City's strategic plan can be applied to the Airport. That is, the City is dedicated to promoting and supporting the community's quality of life by working to provide safe and efficient infrastructure. This includes the Airport. As an asset to the community, the Airport provides air transportation infrastructure needed for both business and personal travel.

In addition to this, the City strategic plan established seven critical success factors that help provide a roadmap for policy decisions in the future. These critical success factors are listed below

[1] Source: http://igniteourfuture.net/

and contain priority objectives.

- ***Strategic Economic Development-*** Build an adaptable framework for continued growth in a changing environment
- ***Cultural and Recreational Amenities-*** Create a community that celebrates, welcomes and supports cultural and recreation amenities
- ***Community Health and Well-Being-*** Support a healthy, happy community by improving healthy lifestyle choices and opportunities.
- ***City Services and Infrastructure-*** Sustain and enhance City services to protect a high quality of life
- ***Strong Neighborhoods With Housing Choices-*** Maintain thriving, quality neighborhoods that connect a diversity of residents throughout the community
- ***Collaborative Relations With Education Partners-*** Enhance and plan for educational opportunities to support economic development
- ***Community Engagement-*** Create a healthy and balanced community for all voices

In the previous Airport Business Plan, operational objectives were outlined that support the overall LSPW mission statement and directly influence the critical success factors outlined in the City's strategic plan.

The final result is to help the Airport achieve greater financial and operational performance in support of the community's overall goals and vision.

1.4 RECOMMENDATIONS FROM PREVIOUS BUSINESS PLAN

THE PREVIOUS BUSINESS PLAN FOR LEE'S SUMMIT Municipal Airport was developed in 2008. Recommendations from that Plan have created a business-friendly atmosphere at the Airport that extends to both facilities and services. These changes have focused on efforts to attract corporate aviation and to develop hangar space. "Game-changing" recommendations included:

- ***Accelerating the Runway Extension to 5,500 Feet:*** The previous master plan recommended an extension and upgrade to Airport Reference Code (ARC) C-II standards for Runway 18-36. This categorization by the FAA indicates the design standards need to accommodate medium to large business jet aircraft. Because of revenue considerations, a strategic option was recommended in the Business Plan to accelerate the runway

extension, even if it had to be done initially to smaller, ARC B-II design standards, which are meant to accommodate turbo prop and light jet aircraft.

- ***Marketing and Recruitment of Corporate Aviation:*** Recognizing the new appeal of a 5,500-foot runway, the Business Plan recommended aggressive marketing of corporate aviation.
- ***Corporate Hangar Development:*** The Business Plan provided three different models for hangar development, based upon the availability of capital funding. These included both City development and Private development of hangars, with funding options and pro formas.
- ***Improved Terminal Amenities and Services:*** Recognizing the need to upgrade amenities and services for corporate and business aviation, recommendations were made to acquire fuel trucks, increase availability and hours of service for jet fuel, upgrading the terminal building to include a conference room, corporate pilots lounge, provide better ground transportation services, and transition to corporate aviation standards for lease language, property use, and aesthetics.
- ***New Branding toward Corporate and Business Use:*** Recommended actions included new logo, website, signage, tagline, and mission statement. In addition, a marketing budget was recommended to promote the new Airport improvements.

As it turned out, the market reacted as predicted in the previous Business Plan. That is, the extension of Runway 18-36 brought new corporate aviation to the Airport in unprecedented numbers. The high growth in fuel sales since 2017 (completed runway extension) reflected the increased usage by business jets in the Kansas City metro area. In addition, there have been requests for new hangar development and continued improvements to terminal amenities and services. The City has worked hard to keep up with the demand and this new Master Plan and Business Plan will help chart the course of development for the next wave of business aviation activity.

Undergirding the willingness of the City to expand and meet the new demand has been a growing recognition by the community of the value of the Airport to local jobs and economic development. This includes recognition by the Chamber of Commerce, the Economic Development Council, private corporations, and results from recent efforts by LXT to involve the community and stakeholders. In addition, the Airport has become increasingly self-sufficient regarding its operational costs, as fuel sales continue to rise. This attitude of acceptance and support has not always been there. However, the steady performance and improvements to financial production have won over many previous non-supporters.

1.5 REPORT OUTLINE

IN ORDER TO DEVELOP NEW RECOMMENDATIONS TO address current issues, this Business Plan report has been organized to include the following sections:

- ***Section 1*** - Introduction
- ***Section 2*** - Management Structure & Future Needs
- ***Section 3*** – Airport SWOT Analysis
- ***Section 4*** - Airport Market Analysis & Rates and Charges
- ***Section 5*** - Baseline Financial Projections
- ***Section 6*** – Revenue Enhancement Options
- ***Section 7*** - Recommended Plan and Proformas
- ***Appendix A*** - Airport Lease Analyses
- ***Appendix B*** – Rates & Charges

Section 2

Management Structure & Future Needs

MANAGEMENT STRUCTURE & FUTURE NEEDS

2.1 INTRODUCTION

SINCE THE PREVIOUS AIRPORT BUSINESS PLAN (2008), the Airport management structure has changed very little. Major events in the interim have included the purchase of Hangar 1 in 2016 and the primary runway extension to 5,500 feet in 2017. Since that time, a significant jump in corporate aviation activity has occurred at the Airport. This has introduced the potential need for a new or upgraded service model. A description of the existing structure and future challenges is provided in the following sections.

Figure 2-1 – Teamwork Is Essential

2.2 AIRPORT MANAGEMENT STRUCTURE

LEE'S SUMMIT MUNICIPAL AIRPORT IS OWNED AND operated by the City of Lee's Summit. The functional organizational chart, which includes planned staffing through 2021, is shown in Figure 1. As shown, the chain of command moves from the Lee's Summit Mayor and City Council down through the City Manager, to the Director/Deputy Director of Public Works, to the Airport Manager. Not shown are the other Public Works divisions, which include Engineering/Administration, Fleet, Operations, and Solid Waste.

The Airport Manager is responsible for the members of his staff - six full time personnel - the Assistant Manager, two attendants, two Facilities Maintenance Worker II's, and one Service Attendant (concierge). The service attendant is a new position that was added in 2017 and serves as a concierge to answer phones, make reservations for rental cars, hotels, etc. There are an additional 2.3 full-time equivalent (FTE) airport attendants to cover for all the hours of operation.

For the immediate future, the Airport has requested funding for another full-time line person and to increase the 2.3 FTE by 0.3. If fuel sales continue to increase, 0.5 of the part-time FTEs would need to be converted into a full-time position in 2021. Should these expansion plans proceed, the Airport would maintain 8 full time staff, and 2.1 FTE part-time staff members. All of this is subject to COVID-19 impacts, which may delay or accelerate plans.

Although the direct line of authority shows only the LSPW, there are other City departments and committees involved in the management and operation of the Airport. Procurement & Contract Services are involved in the process of writing checks and invoicing customers at the Airport. Human Resources is involved in staffing the Airport. The City Council approves the official Airport

rates and charges each year. The Board Of Aeronautic Commissioners (BOAC) is made up of 8 members and one City Council liaison, appointed by the Mayor pro tem and confirmed by City Council. This Board is charged with the following responsibilities:

- Review proposed annual budget for the Lee's Summit Municipal Airport, submitting recommendations to the City Council.
- Provide guidance and suggestions to Staff on the operation of the Airport.
- Review contracts, agreements, rules, regulations, safety issues, charges and fees pertaining to the operation of the Airport.
- Ensure compliance with applicable FAA regulations.
- Consider other matters deemed appropriate and submit recommendations on issues requested by the City Council.

Functional Organization Chart

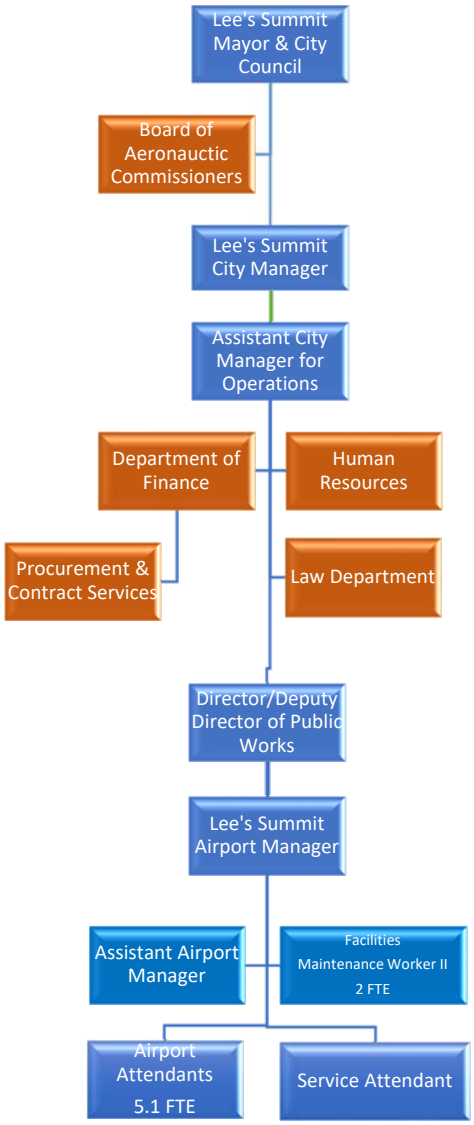


Figure 2-2 – Planned Staffing/Organization Chart (2021)

In addition to the BOAC, three other City departments consider airport issues, including:

- Finance, which includes Procurement & Contract Services
- Human Resources
- Law Department

These additional groups change the "formal" organizational chart by adding advisory functions to the tree.

The value of an Airport's advisory committee (in this case the BOAC) is typically based on the make-up of the committee. If all sectors of the airport user community are not represented, recommendations coming from the committee can be skewed toward a limited number of special interest groups. Typically, these groups work best when representatives of different segments of Airport stakeholders are included. This often involves representatives from the political structure (e.g. City Council), pilots' groups, corporate aviation, economic development/chamber of commerce, and city planning.

2.3 AIRPORT STAFFING

THE DAY-TO-DAY OPERATION OF THE Airport is the responsibility of the Airport Manager. The Airport Manager's position incorporates all facets of Airport administration along with responsibility for the equipment and maintenance of grounds at the Airport. The Airport Manager must have a working knowledge of Federal, State, and local laws and regulations relating to aviation. From an administrative standpoint, the Airport Manager supervises Airport staff, administers Airport security and emergencies, participates in the development of long-range capital development, and coordinates the financial responsibilities of the Airport with the Finance and Procurement & Contract Services. Currently, the Airport Manager is also responsible for participating in the planning and environmental processes at the Airport. The Assistant Airport Manager assists in these full-time and performs the duties of the Manager when he is absent. The Facilities Maintenance Worker II's perform ongoing maintenance, mowing, repairs to equipment, buildings etc. Anything beyond the Airport's capabilities is given to contractors to perform. Airport attendants are needed to staff the Airport during its working hours and operate the fuel concession. The Airport Service Attendant serves as a concierge and is a new position designed to support and serve higher-end business aviation customers. This involves many of the functions of a hotel concierge such as answering phone calls, making reservations for rental cars, hotels, and restaurants. Phones are forwarded to an Airport staff member afterhours to respond to any afterhours service request. The Concierge tracks the number of call-outs as a way to determine if the Airport has enough requests to lengthen the hours of operation.

The Airport is open 24 hours per day, seven days per week. However, it is only staffed from 6:00 am to 7:30 pm in the winter and from 6:00 am to 8:30 pm in the spring and summer months. If the Airport remains open for an average of 14 hours per day, it must be staffed roughly 110 hours per week. Given that there are normally two personnel at the Airport at any one time, about 225 hours of staffing are needed each week. This translates into a minimum 5.625 full time equivalent employees. This total does not include the maintenance or management functions, which require another four FTE positions. In addition, these numbers do not allow for sick leave, vacations, or other absences by staff, that would naturally occur during the year.

Recommendations concerning the management structure, staffing, and operation of the Airport are presented later in the report in Section 7 - Recommended Plan.

Figure 2-3 – Hangar 1 Interior

Section 3

Airport SWOT Analysis

AIRPORT SWOT ANALYSIS

3.1 INTRODUCTION

A SWOT (STRENGTHS/WEAKNESSES/OPPORTUNITIES/THREATS) WORKSHOP was held in the City Hall Howard Meeting Room B on February 7, 2020. A total of 17 participants representing a range of Airport and community interests were in attendance. The purpose of the SWOT Workshop was to provide an opportunity to better identify and understand the Airport operating environment. In this regard, the SWOT was not a strategy session. Rather, it was the preparatory step toward making strategic recommendations. Thus, the information generated in the SWOT about the Airport can be used to develop follow-on strategies for achieving the Airport's mission. The Airport Business Plan will serve as the vehicle to define strategies and will focus resources on the implementation process which will take place over the next twenty years.

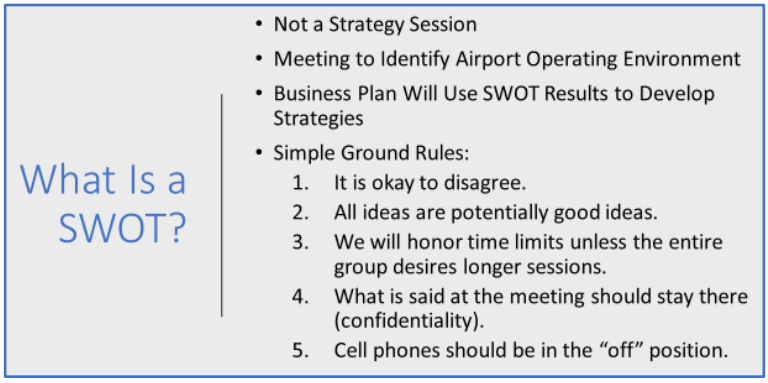
Figure 3-1 - SWOT Meeting

3.2 SWOT OUTLINE AND OBJECTIVES

FROM A DEFINITIONAL STANDPOINT, THE SWOT FOR Lee's Summit Municipal Airport involved the following:

- ***Strengths:*** Internal attributes of the Airport. These can include Location, Physical/Infrastructure, Managerial, Financial, Political, Brand, Competition, and "Other."
- ***Weaknesses:*** Internal attributes of the Airport. These also can include Location, Physical/Infrastructure, Managerial, Financial, Political, Brand, Competition, and "Other."
- ***Opportunities:*** External conditions that may be available to the Airport. These can include such items as Regional Business, On-Airport Business, Funding, Aviation Trends, Branding, and "Other."
- ***Threats:*** External conditions that may threaten the Airport's viability. This may include Funding, Operational Activity, Local Surface Access, Infrastructure, Brand, Competition, and "Other."

The Workshop began at 9:00 am and ended at 12:00 pm. Discussion topics included a wide range of issues including, but not limited to:



- Geographical Location
- Physical Layout
- Financial Sustainability
- Political Impacts
- Surface Access
- Airport Amenities
- Airport Brand and Public Perception
- Airport East-Side Development
- Need for Control Tower
- Attraction of Corporate Aviation
- The Question of Mission and Vision

The following sections summarize the discussions held at the Workshop concerning Airport Strengths, Weaknesses, Opportunities, and Threats. At the close of the session, participants were asked to rank their top three items of importance within each category. The cluster of rankings provided the means to prioritize the attributes described below.

3.2.1 AIRPORT STRENGTHS

Airport Strengths are considered internal or inherent attributes of the Airport. The following Strengths were identified during the Workshop by participants. Within each category, the points are listed in rank order of importance:

- ***Geographical Location:***
  - There are abundant developable areas on-Airport and near-Airport.
  - LXT is the geographic center of the United States.
  - Quick access to downtown Lee's Summit and downtown Kansas City and quick access to rest of metropolitan area via a strong highway network.
  - Located in the economic center for region.
  - Weather tends to be aviation friendly.
  - Airport is available to high percentage of population in greater metro area.
  - Highway access without significant congestion. Potential for Airport access on all sides.
  - With a total land area of 65.6 square miles, Lee's Summit is larger than St. Louis.
  - Nearby cities, including Warrensburg, Clinton, Blue Springs, and Independence rely on LXT.

- **Physical Layout:**
  - Similar to Geographic Location - Abundant developable areas on-Airport and near-Airport.
  - Good approach procedures and good access in all wind directions.
  - Good pavement conditions.
  - Vertical obstructions aren't significant.
  - Airport elevation. At 1,000 ft. it's one of the highest spots in the KC area and this helps with fog and potential obstructions from development surrounding the Airport.
  - Full parallel taxiways help with safety and capacity, including Taxiway C, which opens landside development on the East side.

Figure 3-2 - Airport Runway 18-36

- ***Managerial/Political:***
  - Very engaged staff and management.
  - Economic Development Council deeply involved with Airport growth.
  - Good collaboration between Airport and City. Relationships provide a deep well of expertise.
  - Staff has consistent, long serving, institutional knowledge.
  - City Council recognizes the Airport's value.
  - Resources committed from City to attend necessary aviation conferences
  - Quick response time at City to take advantage of opportunities at the Airport. As an example, when the City purchased Hangar One, the City Council moved quickly to approve the deal.
  - City lobbyist promotes the City and Airport at the State legislative level.

- **Operations:**
  - The Airport has an enterprise fund designation.
  - Airport management makes good use of resources.
  - Perceived value with the public for the Airport goes beyond operational revenues.
  - Staff willing to meet and facilitate growth, coming up with creative solutions.
  - Airport hangars are at 100 percent occupancy.
  - There are four GPS approaches (all runways).

- **Airport Brand:**
  - Good personalized service.
  - Age of the Airport. It is well established, and pilots from the region know where it is.
  - City of Lee's Summit receiving recognition and awards from ACPA, and APWA – helps Airport brand via association.
  - City has branding efforts that market the city as a place to do business.

- **Competitive Advantage:**
  - Airport has remained stable and grown as other airports in the region have declined.
  - Many nearby airports do not have the financial support that LXT enjoys.
  - Main competition is the Wheeler Downtown Airport, where they can compete for fuel sales.
  - Infrastructure with a 5,500 ft. runway. Wheeler Downtown and New Century are the only real competitors for jet operations.
  - Strong GA training community at Lee's Summit.
  - Airport is consistently able to receive grants and make improvements that help compete with airports that are not as engaged.

3.2.2 AIRPORT WEAKNESSES

Airport weaknesses were identified as a part of the SWOT workshop process. These are internal attributes of the Airport and are listed below in rank order of importance within each category by the SWOT participants:

- ***Location/Physical Layout***:
  - Lack of control tower, which puts high-performance jets with training aircraft on two active crossing runways.
  - Most developable land on the Airport is not shovel ready.
  - Major residential development nearby.
  - There are four schools under the flight paths to the approaches of all four runways.
  - Terrain limitations on east side, with significant dirt fill necessary for development.
  - Internet isn't provided at the Airport.
  - Land west of the Airport is not within Lee's Summit's jurisdiction/zoning.
  - Lack of interior perimeter road.
  - Limited ground access to tenant hangars.
  - Runway 18/36 needs run up and turn out area.
  - Lack of natural gas and sewers to hangars on the west side.
  - Lack of 3 phase power, which is essential for large aircraft and support equipment.

- **Managerial/Political/Financial:**
  - Constraints on funding.
  - More staff needed for growth.
  - Not able to control development beyond Airport property.
  - Airport thriving on the work of two management staff members (John and Joel), with demands too great to be sustainable.
  - Unrealistic expectations involved with being an Enterprise Fund. If the Airport runs a deficit, public opinion of the Airport goes down.

- **Operational/Brand/Competition:**
  - The name "Municipal" and "Lee's Summit" are perceived as weaknesses by corporate pilots.
  - Need to quantify economic impact of the Airport and total value of the Airport to community (current lack).
  - Need state-of-the-art pilot amenities such as lounge, and flight planning areas.
  - Lack of newer crew cars.
  - Lack of access to rental cars.
  - Lack of parking near Hangar One.
  - Need modern, reliable snow removal equipment.
  - Lack of modern, reliable jet fuel trucks.
  - No real viewing area for the general public to come out and watch operations.
  - No meeting or conference rooms

Figure 3-3 – Avgas Fueling Operation at LXT

- **Other:**
  - Inadequate signage to the Airport.
  - Lack of strong champion for the Airport. There are lots of supporters of the Airport, but no one politically who has really taken the Airport and made it a platform.
  - Need to improve aesthetics.
  - Lack of accommodation for electric aircraft.
  - No customs office to capitalize on Lee's Summit's location for direct access of international travel from Canada, South America, and the Caribbean.

3.2.3 AIRPORT OPPORTUNITIES

Opportunities that exist are considered external conditions that may be available to the Airport. Generally, these opportunities will require strategies and efforts to achieve. Most opportunities involve the market or additional services or facilities at the Airport. Participants in the SWOT Workshop identified a number of opportunities available to LXT. For each category, the points are listed in order of importance:

- ***Regional Businesses:***
  - A new, large hangar at LXT would boost the Airport's ability to draw corporate tenants to the Airport by providing them an option other than Wheeler Downtown and the two Johnson County airports.
  - Development in the City will increase use of the Airport.
  - Wheeler Downtown aviation operations may suffer with traffic delays surrounding nearby bridge construction.

- ***On-Airport Aviation Development:***
  - Opportunity to get the east side development right from the ground up – clean slate.
  - Terrain doesn't preclude development.
  - On-Airport restaurant that engages community may be helpful.

- **Aviation Education:**
  - AOPA school programs keep kids involved and benefits community.
  - St. Michaels aviation education center is next door.
  - High School student engagement fuels public relations marketing and branding.

- **Funding/Airport Brand:**
  - Opportunity to develop corporate friendly identity.
  - Technology-friendly facility for future development.

- **Sports Opportunities:**
  - 2026 World Cup site.
  - 2023 NFL Draft site.

- **Metropolitan Conferences, Sports & Entertainment Opportunities:**
  - Chief and Royals professional teams
  - Concerts (Musicians, Tech N9ne Recording Studio)
  - Airport proximity to many concert and sports arenas makes it an ideal location for performers and concert attendees to utilize LXT.

3.2.4 AIRPORT THREATS

In this context, threats to the Airport refer primarily to factors that would hinder its potential growth, development, and viability. Threats are generally external conditions to which the Airport is exposed. In some cases, unsolved weaknesses may develop into threats. Threats to Airport viability were listed by SWOT Workshop participants in each category by order of importance:

- ***Political Environment:***
  - Past efforts to shut down the Airport.
  - Elections could bring about management changes in ways that reduce support for the Airport.

- **Development:**
  - No air traffic control tower.
  - Electronic interference from nearby cell towers.
  - Runway light issues/electrical vault relocation.

- **Funding:**
  - Always dependent on outside influences.

- **Safety/Noise:**
  - Noise and residential development are always at odds.
  - Formation flying over the Airport and surrounding areas is disconcerting to some.

- **Demographic Issues:**
  - The Airport/community is threatened if they do not attract greater diversity.
  - Transfer of wealth with businesses that could move.

3.3 SUMMARY

TO SUMMARIZE THE SWOT WORKSHOP RESULTS, A graphic representation of the process was developed that shows the relationships between the components of the analysis. **Figure 3-4** shows four quadrants, each representing one area of the SWOT. The axes of the quadrants indicate the degrees of flexibility or change for each of the SWOT components. The center of the graphic represents the highest degree of flexibility or ability to change, whereas the outer edges represent the greatest inflexibility or lack of ability to change.

Components that are located on an axis show that, depending upon how they are addressed, can move from one SWOT category to another. For example, the need for an airport brand that reflects a corporate-friendly identity is both a Weakness and an Opportunity. If the Airport updated its current brand, then the Opportunity is fulfilled, and it is no longer a Weakness. The future brand, consistent with attracting more corporate aviation will then move into a Strength for the Airport. Similarly, the need to utilize developable land is currently a Weakness and an Opportunity. When expansion to the East Side occurs in both infrastructure and services, it will cease to be a Weakness and ultimately become an Airport Strength.

Overall, the SWOT Workshop highlighted the key issues for the Airport and its operating environment. The Airport Business Plan will use the results to develop strategies for building on strengths, overcoming weaknesses, taking advantages of opportunities, while minimizing threats to the Airport's future operation.

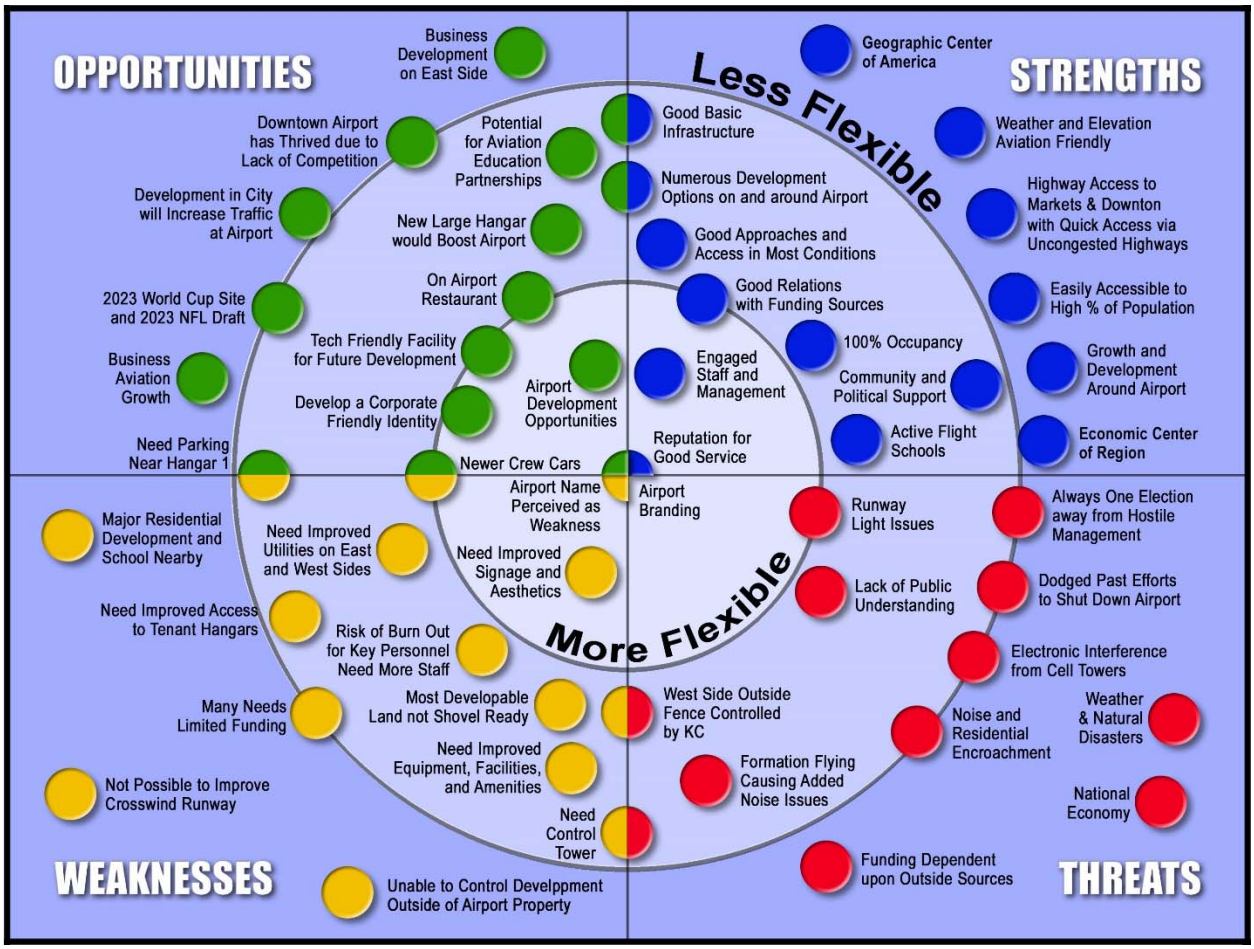


Figure 3-4 - SWOT Graphical Summary

Section 4

Airport Market Analysis & Rates and Charges

AIRPORT MARKET ANALYSIS & RATES AND CHARGES

4.1 INTRODUCTION

IN AN ATTEMPT TO MINIMIZE REDUNDANCY WITH the Lee's Summit Airport Master Plan, this section discusses the existing characteristics of the Airport from a business point of view. That is, instead of focusing mainly on physical attributes of the Airport, this Section examines the market factors that will impact the Airport's ability to generate revenue now and in the future. Although some facilities are covered in this section (such as hangars and hangar development), it is with an eye toward revenue production. As such, this Section addresses the following topics:

- Airport Brand
- Market Position & Rates and Charges
- Impacts of Changing Aircraft Fleet Mix
- Assumed Impacts of COVID-19
- Aviation and Non-Aviation Parcels for Development

4.2 AIRPORT BRAND

AN AIRPORT BRAND IS THE PERCEPTION OF the airport by its customer base and stakeholders. Often, these are two different brands. Branding for the customer base often use airport attributes that identify the geographic location of the facility and the levels of service provided. Branding for stakeholders, on the other hand, must convey the value of the airport to the community. Sometimes these branding messages can conflict, particularly when a name change for the airport is suggested. In this regard, a community may be set on advancing the name of its community, even if that community is not well known. This may inhibit customer outreach, which would require a more general geographic name, or a name associated with a larger local metro area. In the case of Lee's Summit, such distinctions might arise if Airport renaming considered the Kansas City metro or region brand.

Figure 4-1 - Cessna Twin Engine Aircraft at LXT

4.2.1 CURRENT AIRPORT BRAND

Lee's Summit Airport's brand is the image it inspires in the minds of its customers and stakeholders. It consists of everything that makes up the customer experience, from the quality and condition of infrastructure, to availability of essential services, to each and every customer interaction. A truly great brand is built upon one gratifying customer experience after another.

The 2008 Airport Business Plan identified issues limiting the Airport. Strategies for revenue enhancement were presented, along with recommendations for elevating LXT's services, amenities, and operational capabilities to attract a larger share of the profitable corporate aviation segment. A two-pronged branding and marketing initiative to increase awareness in the Greater Kansas City Region was also discussed, as well as outreach to transient operators outside of the area.

To this end, the City has aggressively pursued key recommendations including a service class upgrade of the primary runway from 4,016' x 75' B-II (turboprop capable) to 5,500' x 100' C-II (jet capable). Removal of old hangars along the Northwest side of runway 18-36, allowed for development of a new parallel taxiway with proper separation for safe C-II operations. The City acquired a 40,000 square-foot heated hangar with a 20-foot tail clearance doorway, constructed a pilot's lounge and other essential amenities for corporate FBO services.

Located near the official geographic center of the United States, with a jet capable primary runway, LXT is ideally situated to serve as a convenient refueling stop for itinerant corporate aircraft – outside of the busy airspace surrounding Kansas City International Airport (MCI). LXT has ample areas – on and adjacent to the Airport – for both aviation and non-aviation development. In short, LXT is poised for growth.

An obstacle to the Airport's growth involves its existing brand identity as a "Municipal" airport with a "municipally" operated FBO. This perception was pointed out by LXT stakeholders participating in the SWOT in the previous section. Among corporate aviators there is a prevailing negative perception that municipally owned and operated FBO facilities are all too often staffed by unmotivated line crew and lackluster hospitality staff. Municipal facilities represent a significantly less desirable service option than more upscale privately operated FBOs. While the management and staff of LXT are clearly exceptions to this rule, for those who travel almost daily in the course of conducting business, this reputation is frequently reinforced industrywide.

One outstanding example of a municipally owned and operated FBO is "GlobalSelect" located at Sugar Land Regional Airport (SGR) in Sugar Land, Texas. SGR – located just southwest of Houston, Texas – serves as a reliever to crowded Houston airports. Recognizing the negative perception of municipally owned and operated facilities, the City of Sugar Land elected to change the airport name from Sugar Land Municipal Airport to Sugar Land Regional Airport.

They constructed a beautiful 20,000 square-foot terminal building filled with pilot and passenger comforts and amenities. Then – to further distance themselves from prevailing negative perceptions – they named their FBO "GlobalSelect". By operating the FBO as if it were a private luxury facility, they have built an outstanding reputation and customer base, and have collected numerous awards for excellence. SGR represents the pinnacle of outstanding municipally owned and operated airport facilities.

Figure 4-2 – Hangar 1 at LXT

While initially it may be a stretch for LXT to match the exceptional facilities at SGR in the near-term, there are a number of assets already in place or well within reach. Competent, friendly staff focused on service is vital to building and maintaining an excellent brand. In this regard, the staff of LXT is highly dedicated and motivated toward excellence. There is an esprit de corps within the Airport staff and City leadership fueled by pride in the community and ongoing improvements at LXT. These key aspects of the LXT brand are in place and worth preserving. There is discussion of development on the east side with a new terminal building that would potentially include upgraded FBO facilities. This would further enhance the LXT brand.

4.2.2 AIRPORT COMMUNICATION TOOLS

In 2018, an Airport Marketing Plan was developed to help focus communications resources toward a segmented audience to help meet airport communication goals. The plan identified the current marketing tools utilized by LXT to reach potential users, including:

- E-blasts (external lists)
- News Releases
- City Website (Airport page)
- "In the News" Staff Newsletter
- Booths at Tradeshows/Conferences
- Social Media (Facebook)
- Magazine Ads
- Newspaper Ads (Examiner, LS Journal)
- LS Chamber Calendar - ad for Open House in June
- LS Chamber Catalyst Ads - published 4 times per year
- LS Chamber Visitors Guide Ad - published 2 times per year
- LS Chamber Community Profile Ad - published once a year
- Banners advertising Open House, airport events
- Radio (earned media, Royals sponsorship)
- Lakewood Neighborhood Newsletter

- Presentations to aviation groups
- Fly Friendly Brochure (fact sheet, targeted to pilots)
- Letters to Tenants
- Airport Line Service emails - inform pilots/tenants of changing conditions at the airport (construction, etc.)
- Digital Billboards (used for Open House)
- LSTV
- NATA—National Air Transportation Association (are we a member?) - ad in Aviation Business Journal
- Airport Open House (1,500 attendees)
- Tenant Meetings
- Conferences - NBAA-BACE put ad in Show Guide, Show News (3 months leading up to event), 2 articles, airport profile ($8K).
- Schedulers & Dispatchers (February) - booth w/ postcard handouts
- NBAA Business Aviation and Conference Expo Show Guide
- Pilot Safety Meetings (150 attendees) - held by others, opportunity to market?
- Oshkosh Fly-In - cookout
- Big Truck & Equipment Show - booth at event
- LS Chamber Before Hours

The Airport's electronic newsletter - *The Flyover* – is utilized to help people stay up to date on the latest news, airport improvements, pilot gadgets and events happening at the Airport. The Flyover is published monthly. As of 2020, there are 967 airport subscribers, as well as 548 email addresses captured at the Schedulers and Dispatchers Conference. The City newsletter currently has 2,058 subscribers.

The Airport has reduced the amount of print advertising, choosing to focus on digital advertising. For print advertising purposes, LXT participates in some Lee's Summit Chamber publications. Advertising for the Airport Open House in the Lee's Summit Chamber of Commerce newsletter, a one-page profile of the airport in the Lee's Summit Relocation Guide, an advertisement in the City map and airport information in the Visitor's Guide under transportation.

In September 2019, the airport began a digital campaign *"Experience the Lee's Summit Municipal Airport (LXT). Your Gateway to Kansas City,"* using targeted advertising to attract new customers to the airport. Using device information captured through geofencing, the airport was able to target potential customers. In addition to the digital campaigns, digital ads on aviation websites such as AirNav continue.

The existing LXT website is functional and attractive. The photographs used are illustrative and appropriate. One critique involves the need for higher resolution pictures. When viewed at full screen resolution – on a PC monitor – the photos appear out of focus. This could be due to use of image files at a lower resolution than is needed. The short video featured on the main page contains good information but appears dated due to its maximum resolution of 480 lines. Not to

be overly critical, but this is about one-fifth the resolution of HD video – which corporate customers are accustomed to viewing. These clips should be updated and upgraded to full HD in order to put the Airport's best foot forward.

Another potential limitation is the site being wrapped within the overall the City of Lee's Summit website. From a local government perspective, this is clearly a solution based upon immediate practicality. From a branding standpoint however, this merely accentuates the prevailing view of "Municipal" airports as a negative among the most desirable customers. Many corporate users expect a standalone website, which tends to separate the airport from its municipal roots.

In summary, LXT has many quality improvements, people, and factors in place upon which to build a solid brand. In order to attain the client base and ultimate success for the City and region, LXT must take deliberate steps to shed the negative stereotype of being a "municipal" facility.

4.2.3 CONSIDERATIONS FOR FUTURE AIRPORT BRAND

To circumvent the negative stigma associated with municipal operations, it is strongly recommended that the City consider implementation of a new Airport name that would replace "Municipal" with "Regional" or "Executive."

- Lee's Summit Regional Airport
- Lee's Summit Executive Airport

While it is understood there is great pride and history in the Lee's Summit name, from a practical standpoint the name of the City is not as widely known nationally – nor is it as easily located geographically – as its larger neighbor Kansas City. From the practical standpoint of increasing itinerant operations among corporate aviators, the most immediately geographically recognizable identity would incorporate "Kansas City" in the Airport name. It must be pointed out that "Johnson County Executive Airport" is located approximately 20 miles west and slightly south of LXT. Adopting the name Kansas City Executive Airport could be a significant strategic branding advantage for LXT.

- Kansas City Regional Airport
- Kansas City Executive Airport
- Greater Kansas City Regional Airport

Future branding at the Airport should also consider its website. These considerations include fresh branding elements – such as name, logos, and colors. It is believed that an independent website entirely devoted to the Airport would serve to improve the brand. This standalone Airport website may be linked to – and even prominently featured within – the City website. The City would maintain full control of the Airport website, while helping to position the Airport as a destination of choice for corporate aviators.

As a new identity, logo, and colors are established, improved directional signage to the Airport will further assist in establishing the new brand. Ultimately, the Airport and City should consider a focused marketing plan that will reach itinerant corporate customers, as well as persuading regionally based jet aircraft to relocate to LXT pending new hangar development. A new video extolling the virtues of LXT's improved facilities and infrastructure, as well as the quality of life and benefits of locating in Lee's Summit should be considered, along with a colorful brochure, fresh new business cards, and logo apparel for Airport staff.

Potential Brand Names

- Lee's Summit Regional Airport
- Lee's Summit Executive Airport
- Kansas City Regional Airport
- Kansas City Executive Airport
- Greater Kansas City Regional Airport

4.3 MARKET POSITION & RATES AND CHARGES

THE AIRPORT SERVICE AREA IS GENERALLY DEFINED as the geographic region served by an airport. For Lee's Summit Municipal, this area was assumed to extend to a 30-minute drive time surrounding the Airport. This area encompasses the Kansas City market area and includes three airports shown in **Figure 4-3.** In addition, seven airports outside the within an hour drive time (greater service area) were included to allow a larger database of airport information.

- **Area Airports with Runway Lengths Below 5,000 Feet:**
  - East Kansas City
  - Skyhaven Airport
  - Johnson County Executive
  - Lawrence Smith Memorial
  - Higginsville Industrial Municipal

- **Area Airports with Runway Lengths 5,000 Feet and Above:**
  - Lee's Summit Municipal
  - Charles B Wheeler Downtown
  - Midwest National Air Center
  - New Century AirCenter
  - Kansas City International

To better market and attract corporate and private aviation customers to LXT, it is important to compare the relative market draws between the available airports within the market area. In this regard, rates and charges for airport use is one of many metrics used by aircraft users to determine which airport is most attractive to use. The factors discussed in this section include the following:

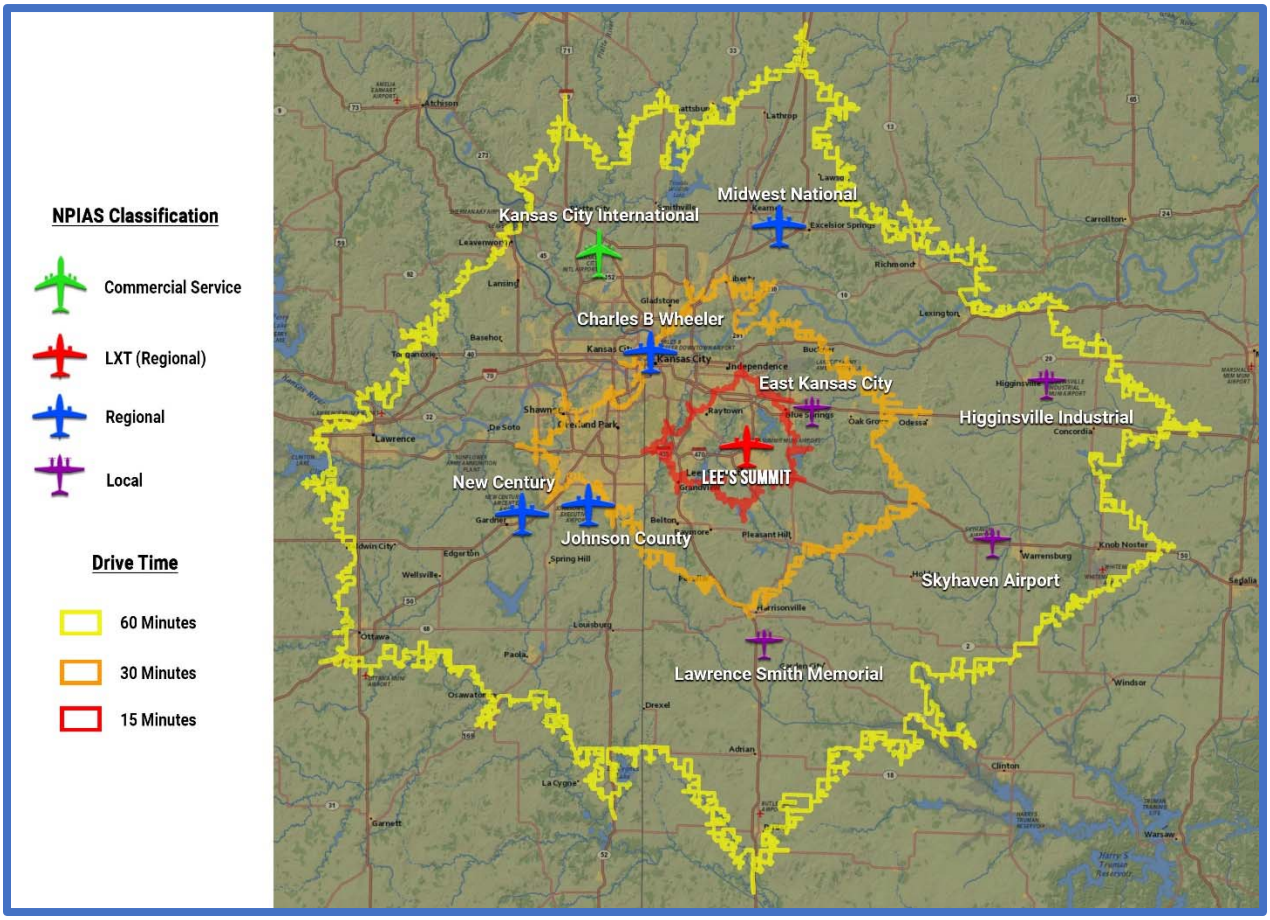


Figure 4-3 – LXT Service Area

- **Facilities**
  - Airport Size
  - Runway Length
  - Approaches
  - Air Traffic Control Tower

- **Based Aircraft**
  - Number and Type of Based Aircraft

- **Service Offerings**
  - Airframe and Powerplant Repairs
  - Flight Instruction, Charter Service, Aircraft Rentals
  - Avionics, Aircraft Sales
  - Aerial Spraying
  - Air Cargo, Airline
  - Air Ambulance

- **Rates and Charges**
  - Tie-Downs
  - T-Hangars
  - Conventional Hangars
  - Lease Rates
  - Avgas and Jet Fuel

The airports included within the Kansas City area are relevant to any comparison of facilities, prices, and services available at LXT. This database of airports provides a good basis for comparing regional pricing, the impact of fleet mix on facilities and services, etc. For this reason, they are included in the competitive market assessment.

4.3.1 FACILITIES

Table 4-1 provides a comparison of service area and greater area airport facilities. Of the ten listed airports, five have runways of 5,000 feet or greater, which makes them the best candidates for business jet activity. Kansas City International has the longest primary runway in the service area at 10,801 feet by 150 feet. New Century AirCenter has the longest non-airline or military airport runway in the service area with dimensions of 7,339 feet by 150 feet.

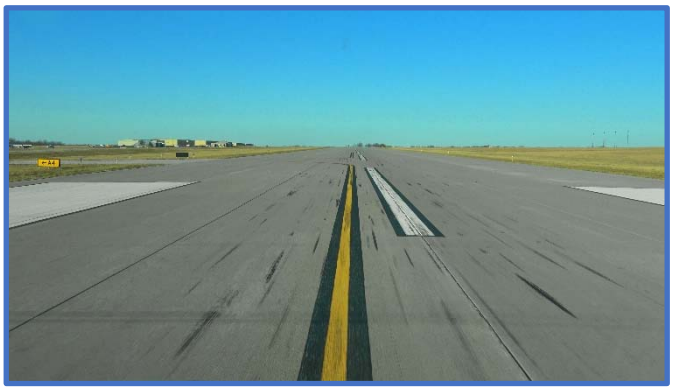


Figure 4-4 – Runway 18-36 Looking North

In terms of airport property, there were two airports with over 1,000 acres, the largest being Kansas City International with 10,680 acres. At 529 acres, Lee's Summit Municipal's size is in the mid-range for non-airline airports in the service area. Every airport in the service area has instrument approach procedures of some type. Four of these airports have ILS approaches and four airports have Air Traffic Control (ATC) towers. Compared to other airports in the service area, Lee's Summit Municipal is adequately positioned to compete with other jet-capable airports in terms of runway length and is on the mid-to-lower end in terms of property acreage and instrument approaches. One amenity that would help LXT compete for business jet activity would be an Air Traffic Control Tower.

4.3.2 BASED AIRCRAFT

As of April 2020, there were a total of 795 based aircraft at service area airports. The majority of based aircraft (74.0 percent) were single engine aircraft. Jet aircraft made up 9.4 percent of based aircraft, multi-engine represented 12.8 percent, helicopters represented 1.5 percent, and aircraft

designated as "other" represented the remaining 2.3 percent. Of the 75-jet aircraft in the service area, 65 (86.7 percent) were located at Charles B Wheeler Downtown. Lee's Summit Municipal had the second highest based jets in the service area, with 4. In total, there were 137 aircraft based at LXT, comprised of 4 jets, 120 single engine, 9 multi-engine, and 4 helicopters.

4.3.3 AVIATION SERVICES

Table 4-2 presents the availability of various aviation services at each of the area airports. Every airport offers some form of airframe and powerplant repairs except Kansas City International and Midwest National Air Center. Lawrence Smith Memorial and Skyhaven Airport are the only airports that offer minor repairs for airframe and powerplant, while all others offer major repairs, including Lee's Summit Municipal. Seven airports offered flight instruction and aircraft rentals (Kansas City International, Midwest National Air Center, and Higginsville Industrial Municipal offered neither). Five airports offered aircraft sales, and five airports offered charter service. Four airports offered avionics. Lee's Summit Municipal offers flight instructions, aircraft rentals, and is one of only three airports in the service area that offer Air Ambulance service. With these offerings, LXT is on the mid-to-lower end of services offerings compared to the other non-airline airports within the service area.

4.3.4 AIRPORT LEASE RATES

Rates for Monthly tie-down spaces were available at seven service area airports. As shown in **Table 4-3**, the prices for monthly tie-down spaces range from $26 at Skyhaven Airport, to $75 at New Century AirCenter. Eight airports in the service area had T-hangars on the field, however only Charles B Wheeler Downtown had T-Hangars currently available for rent. Monthly T-Hangar rates ranged from $66 per month for open-style T-Hangars at Skyhaven Airport to $368 at Charles B Wheeler Downtown. Monthly rates at some airports depend on age and condition of the T-hangars and can vary widely between airports and even on the same airport. Lee's Summit Municipal is in the upper end of the spectrum for prices on T-Hangars in the service area, starting at $345 per month.

Conventional hangar space includes box hangars, community hangars, and larger clear-span hangars. Eight airports in the service area had conventional hangars on the field. Of these, only three airports with community hangars had space currently available for rent on a monthly basis. All box hangars in the service area have waiting lists for potential users. The conventional hangar prices at Lee's Summit Municipal start at approximately $550 per month to occupy

Figure 4-5 – Hangars at LXT

shared space in Hangar 1. This pricing is consistent with rates at the other airports in the service area. Charles B Wheeler Downtown listed the highest starting prices for conventional hangar prices in the service area, starting at $1,660 per month for a box hangar.

4.3.5 FUEL PRICES

It should be noted that all fuel prices change frequently, therefore the following narrative and associated table were compiled on the same day – May 4, 2020 - for the most accurate snapshot. All information regarding fuel prices was compiled from www.airnav.com. Lee's Summit Municipal was the only airport offering Mogas within the service area.

Self-serve Avgas is available at seven of the airports within the service area. The highest per gallon price was $4.85 at New Century AirCenter. The lowest self-serve Avgas price was $2.99 per gallon at Midwest National Air Center. The average price per gallon for self-serve Avgas in the service area was $3.71. Full-serve Avgas was available at six airports in the service area. The average price for full-service Avgas was $5.21 per gallon. The lowest full-serve Avgas was $4.31 at Skyhaven Airport. The highest per gallon price was $6.10 at Kansas City International. Lee's Summit Municipal offered the second lowest prices for full-service Avgas at $4.33 per gallon. East Kansas City was the only airport that offered assisted self-serve Jet Fuel, at a price of $3.25 per gallon. Full-serve Jet Fuel was available at seven airports within the service area. The average price for full-service Jet Fuel was $4.43 per gallon. The lowest price was $2.77 at New Century AirCenter. The highest price was $6.41 at Kansas City International. Overall, Lee's Summit Municipal's fuel prices were below the average fuel prices within the service area.

Table 4-1 – Facility Comparison

Service Area Airports	Airport Code	Ownership	Acres	Number of Based Aircraft						Runway		Navaids	Tower
				Jet	Multi	Single	Heli	Other	Total	First	Second	Highest	
Lee's Summit Municipal	LXT	Public	486	4	9	120	4		137	5,501 x 100	4,000 x 75	GPS	No
East Kansas City	3GV	Public	120	0	15	185	1		201	4,507 x 44	2,206 x 20	GPS	No
Charles B Wheeler Downtown	KMKC	Public	700	65	21	78	4		168	6,827 x 150	5,050 x 100	ILS	Yes
Johnson County Executive	KOJC	Public	568	0	4	36	1		41	4,098 x 75		GPS	Yes
Lawrence Smith Memorial	KLRY	Public	126	0	4	40			44	4,000 x 75		GPS	No
Midwest National Air Center	KGPH	Public	573	3	39	49	2	1	94	5,502 x 100		ILS	No
New Century AirCenter	KIXD	Public	2,600	1	6	22		16	45	7,339 x 150	5,132 x 100	ILS	Yes
Kansas City International	KMCI	Public	10,680	2	0	0	0		2	10,801 x 150	9,501 x 150	ILS	Yes
Skyhaven Airport	KRCM	Public	402	0	3	46	0	1	50	4,206 x 75	2,801 x 60	GPS	No
Higginsville Industrial Municipal	KHIG	Public	200	0	1	12			13	4,400 x 75		GPS	No

Table 4-2 – Service Comparison

Service Area Airports	Frame Repairs	Power Repairs	Flight Instruction	Charter Service	Avionics	Aircraft Sales	Aircraft Rentals	Other
Lee's Summit Municipal	Major	Major	✓	✗	✗	✗	✓	Air Ambulance
East Kansas City	Major	Major	✓	✗	✗	✗	✓	
Charles B Wheeler Downtown	Major	Major	✓	✓	✓	✓	✓	Aerial Surveying, Air Freight Services, Cargo Handling
Johnson County Executive	Major	Major	✓	✓	✓	✓	✓	Air Ambulance, Aerial Surveying
Lawrence Smith Memorial	Minor	Minor	✓	✓	N/A	✓	✓	Air Ambulance, Crop Dusting
Midwest National Air Center	None	None	✗	✗	✗	✗	✗	
New Century AirCenter	Major	Major	✓	✓	✓	✓	✓	Aerial Surveying
Kansas City International	None	None	✗	✗	✗	✗	✗	Airline, Cargo Handling
Skyhaven Airport	Minor	Minor	✓	✓	✗	✗	✓	Glider Services Aerial Surveying
Higginsville Industrial Municipal	Major	Major	✗	✗	✓	✓	✗	

Table 4-3 – Rates and Charges Comparison

Service Area Airports	Tie-Down	Conventional Hangars		T-Hangars		Fuel Price/Gallon			
	$/month	$/month	Avail	$/ month	Avail	100 LL SS	100 LL FS	Jet A SS	Jet A FS
Lee's Summit Municipal	$62	$550 - $2,000	No	$345 - $650	No	$3.98	$4.33	No	$4.34
East Kansas City	$52	Community Hangar $200	No	$200	No	$3.85	No	$3.25	No
Charles B Wheeler Downtown	N/A	$1660 - $1778	No	$368 - $474	Yes	$2.99	$5.90	No	$5.37
Johnson County Executive	$45	Community Hangar $560 - $1,350	Yes	$310 - $401	No	No	$5.75	No	$5.25
Lawrence Smith Memorial	N/A	N/A	N/A	N/A	N/A	$4.00	No	No	No
Midwest National Air Center	$55	$290 - $345	No	Open T-Hangars - $90	No	$2.99	No	No	$3.49
New Century AirCenter	$75	Community Hangar $0.68 per sq ft	Yes	$310 - $401	No	$4.85	$4.85	No	$2.77
Kansas City International	--	--	--	--	--	No	$6.10	No	$6.41
Skyhaven Airport	$26	N/A	N/A	Open T-Hangars - $66 Closed T-Hangars - $220	No	No	$4.31	No	$3.37
Higginsville Industrial	$40	$400	No	$165 - $245	No	$3.29	No	No	No

4.4 IMPACTS OF CHANGING AIRCRAFT FLEET MIX

AS MENTIONED IN THE BRANDING SECTION, LXT has significantly changed its brand offerings since September 2017. The extension of runway 18-36 to 5,500 feet has enabled larger business jets to use the facility. The current four based jets have all moved to LXT since the runway extension. Prior to 2017 the majority of LXT jet fuel sales were to the two turbo-propeller aircraft based at the Airport.

4.4.1 HANGAR DEMAND

Historically, the mix of aircraft has been around 10 piston twin engine aircraft and the rest single engine piston. The highest count of based aircraft over the years has been around 180, with the number hovering between 153 and 173 prior to 2018. The removal of seven T-hangar buildings in 2018 reduced available space by 68 units. This was partially offset with the additional new hangars providing an additional 28 spaces.

Figure 4-6 – T-Hangar Rows at LXT

Limited hangar space has constrained the fleet mix at LXT, as there are continual requests from outside turboprop and turbojet operators for space. The anticipated development of Hangar V will accommodate an additional three to four business aircraft. Thus, for the future, the Airport will continue to attract a larger business fleet. This growth in business aviation will bring significant increases for fuel sales, along with greater demand for executive transportation services at the Airport. In short, the business model will change from that of a small municipal airport to that of a regional/executive airport.

4.4.2 FUEL SALES

The changing fleet mix has had its greatest impact on fuel sales since 2017. In this regard, jet fuel sales have more than doubled in the short period. **Table 4-4** shows the growth in fuel sales since 2017. Records for FY 2020 were only available through February (2/3rds of the fiscal year, ending June 30) at the time of this writing. Prior to the impacts of the COVID-19 epidemic, fuel sales were on track for at least 250,000+ gallons – a record year. Jet-A sales had already surpassed all of 2019.

Table 4-4 – Fuel Sales Growth

Year	FY2017	FY2018	FY2019	FY2020
Jet-A	58,713	79,012	101,317	155,798
AvGas/MoGas	93,841	100,131	104,784	90,159
Totals	**152,554**	**179,143**	**206,101**	**245,957**

From an historical perspective, small jets have been using the Airport since the runway was lengthened to 4,016 in 1994. Operations of jet aircraft were limited due to the length, no fuel truck until 2010, and no hangar facility in which to park overnight. Once the runway was lengthened and hangar space became available, jet traffic has grown significantly. Currently, based customer jet fuel sales make up about 40 percent of the total, with the majority of jet fuel sales going to transient aircraft.

4.5 ASSUMED IMPACTS OF COVID-19

ONE OF THE GREATEST ECONOMIC DISRUPTIONS IN U.S. history has been caused by the COVID-19 pandemic. It has created a worldwide recession in a matter of weeks. How long and how deep the recession goes is unknown at this time. Therefore, only assumptions about the impacts can be made. However, one thing is certain – there will be an end to the pandemic, either through natural processes or by therapeutic medicines. With talk of a vaccine available by 2021, it is assumed that the economic disruption will last up to one year. However, because of the economic damage done in the meantime, the recovery may take much longer to return to the pre-COVID-19 levels.

For this Airport Business Plan, the following assumptions have been made regarding impacts of COVID-19:

Factors Affecting Demand: Social distancing, mandatory 14-day quarantines, and stay-at-home orders will, in the short run, diminish general aviation demand significantly. When these restrictions are in place, demand for most other services are curtailed, which in turn, impacts the demand for air transportation services.

Disruption Period: The length of duration of the economic "lock down" will be determined by how quickly medical treatments can be implemented. In addition, there may be some medical test developed which signifies an immunity to the virus. Such a test would allow those with immunity to reenter the workforce. It is assumed that the longest period of shut down will be one year.

Economic Restart: It is likely that the economy will be restarted in stages prior to the one-year timeframe. Some essential businesses will not close such as food stores, medical facilities, etc. Other businesses such as sports venues, restaurants, and other retailers will come back online as protocols are developed. These protocols may involve giving more freedom to those at low risk, versus high risk population segments (elderly, immunocompromised).

Recovery Time Period: Return to demand levels of 2019 will take some time. It is assumed that it will take a full year (all of 2021) to recover to 2019 aviation activity levels. Thus, 2022 will be the first year to equal or surpass 2019 fuel sales and other aviation activity levels.

Any of these assumptions could be proven wrong by actual events. However, for planning purposes, these will govern the projections for revenue and expense generating purposes.

4.6 AVIATION & NON-AVIATION PARCELS FOR DEVELOPMENT

The availability of aviation and non-aviation development parcels on Airport property will influence the potential to generate revenue. Two large parcels of Airport property have been identified as potential non-aviation developable land. These parcels do not have access to the airfield and cannot ever be used for aviation purposes. Rather than let them sit idle, the Business Plan recommends the conversion and use of the land to revenue producing property. Figure 4-7 shows the location of these developable parcels. Their descriptions include:

- North Side Parcel: This parcel is located along Strother Road and includes roughly 16 acres of property for potential development. Because of terrain slopes, development uses will need to be carefully planned.
- South Side Parcel: This parcel is potentially accessible from NE Town Center Boulevard. It contains approximately 30 acres and it also has some terrain sloping, but not to the degree as the North Side Parcel.

Later, in Chapter 6, the market conditions and likely development scenarios for this property will be explored.

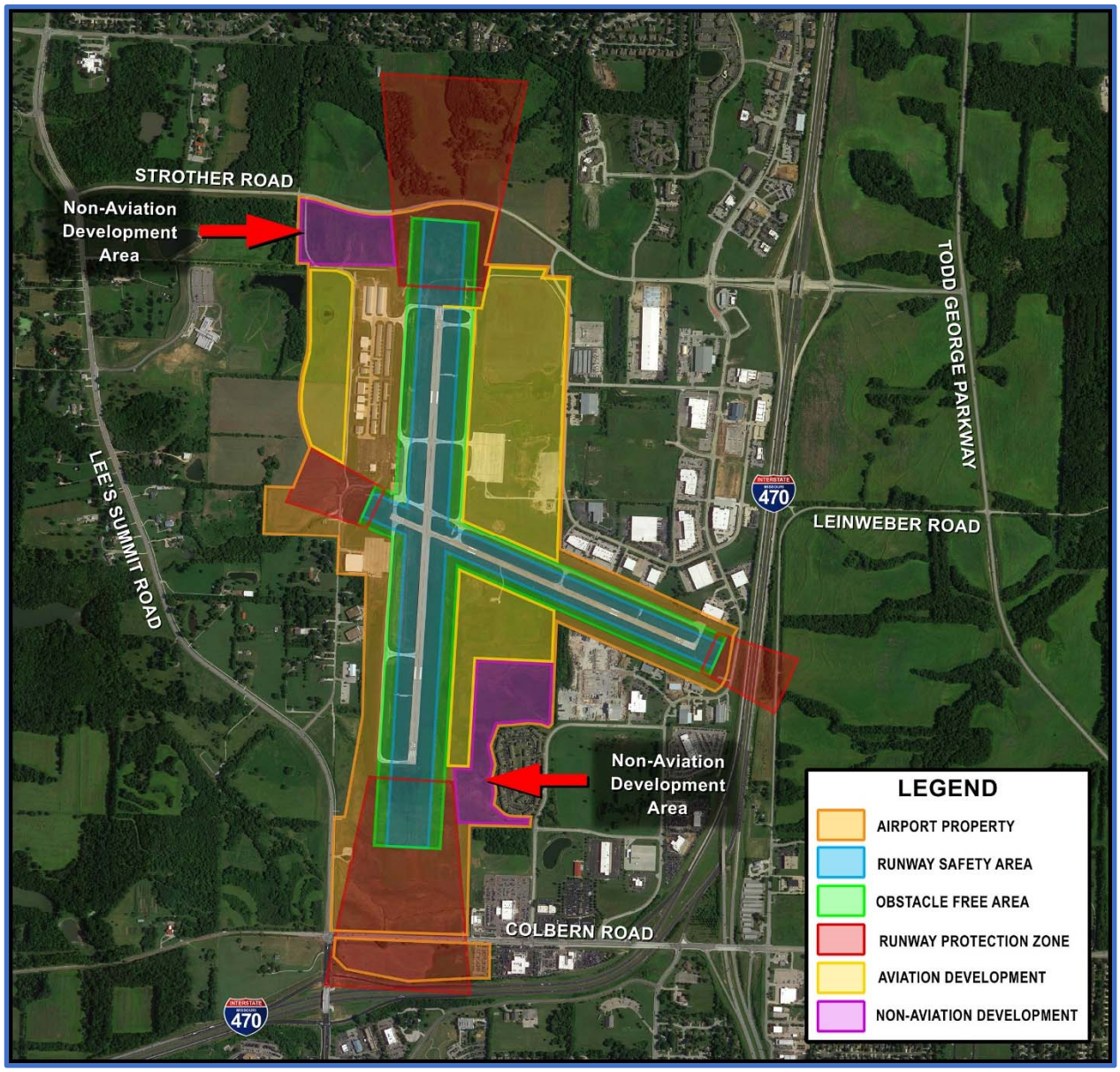


Figure 4-7 – On-Airport Non-Aviation Development Areas

Section 5

Baseline Financial Projections

BASELINE FINANCIAL PROJECTIONS

5.1 INTRODUCTION

THIS SECTION IDENTIFIES HISTORICAL REVENUES AND EXPENSES at LXT and projects those revenues and expenses to FY2040. This projection only considers a baseline scenario with no new revenue enhancements included. This projection of financial performance is designed to answer the question, "How will the improvements recommended in the Master Plan and Business Plan impact the current growth of Airport revenues and expenses?" In a later section, projections of financial performance will be presented that incorporate recommendations from both Plans. To address baseline projections, this section is organized as follows:

- Historical Revenues
- Historical Expenses
- Baseline Forecast of Revenues and Expenses

5.2 HISTORICAL REVENUES

LXT IS OWNED AND OPERATED BY THE City of Lee's Summit. LXT operates as an enterprise fund and has been working toward financially self-sufficiency for a number of years. Revenues generated from use are dedicated by federal, state, and local law to fund LXT's operations, maintenance, and capital costs. All airports that are recipients of federal grant funding are obligated to establish a fee and rental structure that makes LXT as financially self-sufficient as possible under airport specific circumstances.

Information concerning historical revenues and expenses for LXT was provided by Airport Management for FY2015 through FY2019. For purposes of this analysis, this most recent five-year data history was used because it represents the relevant historical financial performance of LXT. In addition, these data are most applicable for financial forecasting because they give some indication of the recent trends. **Table 5-1** shows the historical revenue as documented in the income and revenue spreadsheets provided by LXT. Revenues from Airport operations are derived from the following:

- ***Fuel Sales:*** These revenues are derived from the City-operated fuel farm and include Jet A, 100LL Avgas, and Unleaded fuel sales.
- ***Lease Revenues:*** This includes hangar rent, ground leases, tiedowns, and facility lease revenue.

- ***Miscellaneous Revenues:*** This category captures all revenue that is not attributable to the other categories.

Table 5-1 - Historical Revenues

Operating Revenues	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Lease Revenues	$728,383	$672,008	$585,124	$764,967	$929,252
Fuel Sales	$565,809	$574,884	$678,025	$675,280	$767,879
Miscellaneous Revenues	$26,733	$23,713	$30,335	$40,809	$23,724
Total Operating Revenues	**$1,320,925**	**$1,270,605**	**$1,293,484**	**$1,481,056**	**$1,720,855**
Non-Operating Revenue	**FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**	**FY 2019**
State Grants	$16,882	$140,741	$0	$76,582	$73,973
Federal Grants	$641,519	$2,273,756	$4,008,446	$5,506,361	$1,331,516
Sale of Property	$10	$0	$0	$826,591	$2,551
Investment Earnings	$19,105	$41,458	$9,063	$15,861	$79,279
Total Non-Operating Revenues	**$677,516**	**$2,455,955**	**$4,017,509**	**$6,425,395**	**$1,487,319**
Total Revenues	**$1,998,441**	**$3,726,560**	**$5,310,993**	**$7,906,451**	**$3,208,174**

Also included in **Table 5-1** are the non-operating revenues associated with LXT. These revenues include capital development grants from the State and the FAA. Revenues from the sale of property are also included in this category, as well as income generated from investment earnings. It should be noted that non-operating revenues costs are just that – they are not generated from Airport operations. In order to determine what LXT itself is generating, the analysis will focus on and compare operating revenues with operating expenses.

For purposes of the Business Plan, the ability of LXT to generate revenues and cover operating costs is the primary concern. In this regard, surplus operating revenues can be used to pay the local share of capital development or other non-operating costs. Even if shifts or increases to the revenue base can be made, there still may be forecast shortfalls for capital improvement needs. Therefore, it is important for the Business Plan to anticipate the scope of financial need and present that to the City as far in advance as possible.

From the historical financial information, the operating revenues from fuel sales declined from FY2015 to FY2017, but increased FY2017 to FY2019 by such a margin (26 percent per year) that fuel revenues increased by an overall average of 6.3 percent for the five year period. The dramatic recent increase in fuel sales is attributed to the completion of the runway extension project. Lease revenues have shown an average growth of 7.9 percent per year from FY2015 to FY2019, with the largest increase occurring after the completion of the runway extension and the purchase of Hangar 1 by the City. Overall, historical operating revenues grew from $1,320,925 in FY2015 to $1,720,855 in 2019 – a total increase of 30.3 percent (6.8 percent annual growth rate).

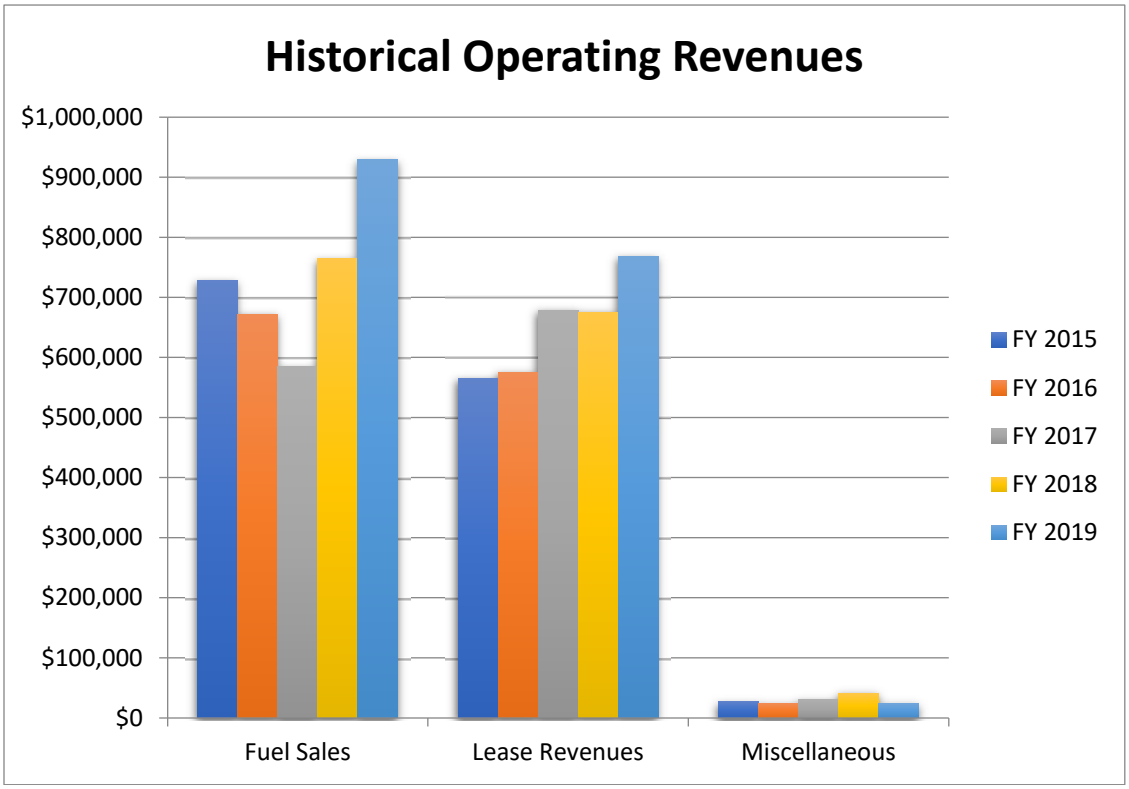


Figure 5-1 - ***Historical Operating Revenues by Type.***

Table 5-2 - Operational Revenue Ratio by Category

Year	Fuel Sales	Lease Revenues	Miscellaneous	Total
FY 2015	55.1%	42.8%	2.0%	$1,320,925
FY 2016	52.9%	45.2%	1.9%	$1,270,605
FY 2017	45.2%	52.4%	2.3%	$1,293,484
FY 2018	51.7%	45.6%	2.8%	$1,481,056
FY 2019	54.0%	44.6%	1.4%	$1,720,855

In FY2019, fuel sales accounted for 54.0 percent of Airport operating revenues (**Table 5-2**). Lease revenues accounted for 44.6 percent of Airport operating revenues in FY2019, which follows a decline in the overall percentage share of revenues from FY2017 At that time, lease revenues represented the largest income category at LXT at 52.4 percent. As more itinerant aircraft chose to use Lee's Summit for refueling purposes, fuel sales grew to become the largest source of revenue for LXT. **Figure 5-2** graphically illustrates the percentage shift in operational revenues by type for comparison years FY2017 and FY2019.

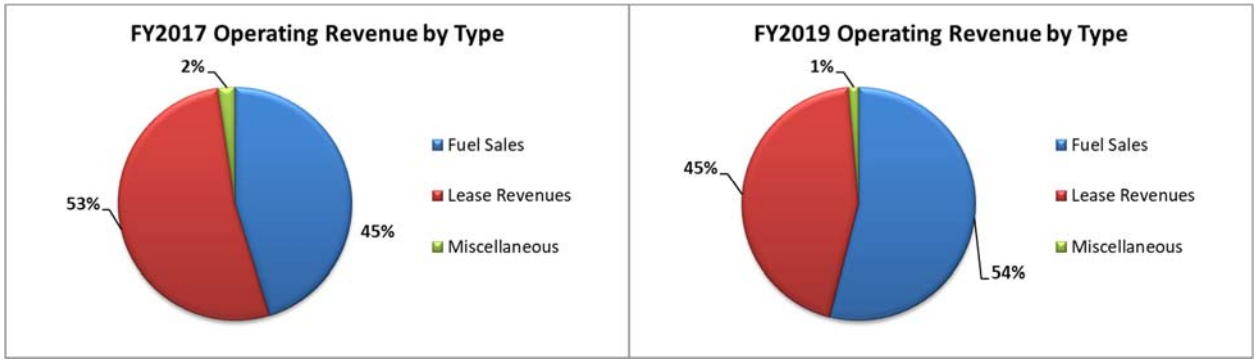


Figure 5-2 - *Comparison of Historical Operating Revenue Category Splits*

Figure 5-3 shows a breakdown of Airport fuel revenue by type. For fuel revenue, the income is evenly split between 100LL Avgas and Jet A fuel income. While 100LL is currently the highest source of income in this category, the percentage of Jet A fuel revenue has increased from 37 percent of total fuel sales in 2017 to 46 percent of total fuel sales in 2019. The increase in Jet A fuel sales as a percentage of total fuel sales is expected to continue because of continued attraction of business and corporate aviation.

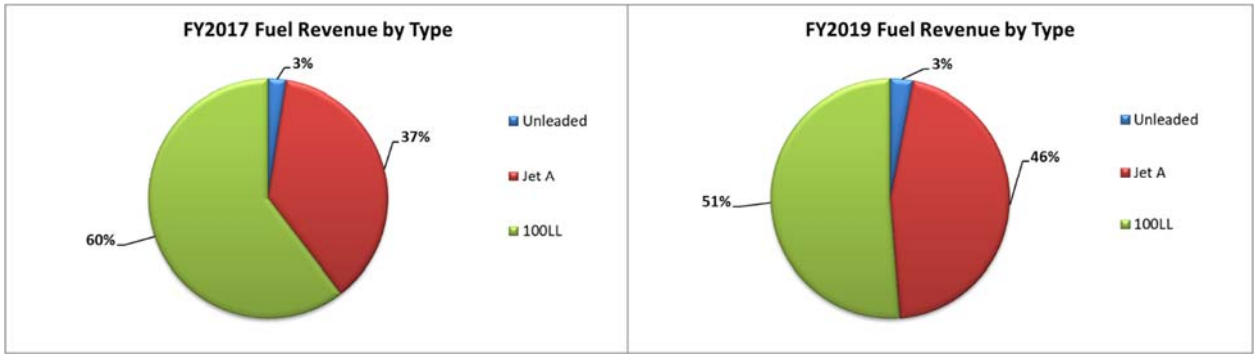


Figure 5-3 – *Comparison of Historical Fuel Revenue by Type*

Figure 5-4 shows a breakdown of Airport lease revenue by type. While Airport property covers a large area with 486 acres of land, the majority of lease revenue is currently made up of hangar rentals. Large portions of Airport property are undeveloped, which accounts for the smaller percentage of ground lease income. From 2017 to 2019, tiedown fees have increased as a percent-

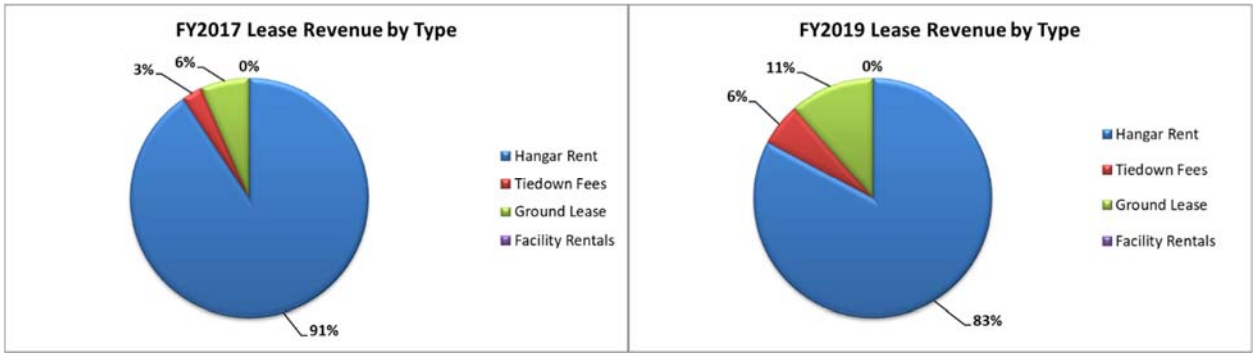


Figure 5-4 – Comparison of Historical Lease Revenue by Type

age of lease revenue due to the increase in itinerant Airport users. Ground leases have also increased, which helps to make LXT slightly less reliant on hangar revenues for lease income.

5.3 HISTORICAL EXPENSES

TABLE 5-3 SHOWS THE HISTORICAL AIRPORT OPERATING Expenses for LXT from FY2015 through FY2019. Operating expenses are those costs required to daily run the Airport. They do not include capital costs. Expenses listed in this section are made up of the following cost items:

- ***Personnel Expenses:*** This includes salaries and benefits of Airport employees.
- ***Fuel Expense:*** Fuel and Oil purchased at wholesale prices for resale.
- ***Materials & Supplies:*** This category includes such things as office/building supplies, postage, printing, travel, sanitation, and uniform expenses.
- ***Advertising:*** Marketing costs for LXT.
- ***Insurance:*** Cost of insurance incurred as a result of operating LXT.
- ***Maintenance & Repairs:*** This category includes maintenance performed on Airport buildings and grounds, as well as airfield maintenance.
- ***Phone & Utilities:*** Costs for Telecommunications and Utilities.
- ***Professional Expenses:*** This category includes legal and accounting fees, along with consultant costs.
- ***Miscellaneous:*** All other expenses not attributable to the other categories.

It should be noted that depreciation is not included in the Operating Expenses because it is a non-cash expense. Depreciation is used to account for the loss of useful life value in capital investments. As such, depreciation is a good indicator on the balance sheet of asset value loss. As mentioned, the ability of LXT to generate revenues and cover operating costs is the primary concern. Surplus net operational revenues then, are a good measure of how much the Airport can generate on its own to invest in capital improvements. Operational Expenses, therefore, are inclusive of actual cash expenses and not depreciation expense.

Table 5-3 - Historical Expenses

Operating Expenses	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Personnel Expenses	$348,469	$380,001	$407,579	$501,672	$567,838
Fuel Expense	$534,031	$443,964	$398,341	$524,646	$648,882
Insurance	$38,932	$44,344	$46,708	$42,418	$74,810
Advertising	$21,269	$13,803	$24,427	$24,119	$14,796
Materials and Supplies	$90,303	$78,412	$86,174	$144,576	$139,200
Maintenance & Repairs	$72,204	$81,457	$137,584	$116,342	$77,966
Phone and Utilities	$62,702	$51,322	$61,994	$76,834	$75,113
Professional Expenses	$17,874	$9,072	$10,076	$26,248	$33,737
Miscellaneous	$39,522	$41,195	$31,473	$38,553	$58,660
Total Operating Expenses	**$1,225,308**	**$1,143,571**	**$1,204,371**	**$1,495,409**	**$1,691,002**

Table 5-3 - Historical Expenses

Operating Expenses	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Non-Operating Expenses	**FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**	**FY 2019**
Transfers & Adjustments	$357,949	$668,726	$524,235	$76,946	$10,959,386
Capital Outlay	$0	$0	$1,503,081	$92,434	$0
Interdepartment Charges	$83,507	$68,482	$77,004	$67,762	$109,174
Interest Expense	$5,023	$769	$2,636	$1,449	$301
Total Non-Operating Expenses	***$446,479***	***$737,977***	***$2,106,956***	***$238,591***	***$11,068,861***
Total Expenses	**$1,671,787**	**$1,881,548**	**$3,311,327**	**$1,734,000**	**$12,759,863**

From the historical financial information, operating expenses have increased since FY2016 from year-to-year, ranging from a low of $1,143,571 in FY2016 to a high of $1,691,002 in FY2019 (**Table 5-3**). This represents a 13.9 percent annual increase over that four-year period. The largest and most consequential expense segment is Fuel Expense, which experienced a 13.5 percent annual increase since FY2016. However, it is important to note that the Fuel Expense is offset by commensurate increases in Fuel Sales in the revenues section. The second-largest expense segment is Personnel Expenses, which experienced a 14.3 percent increase over the same period.

Non-operating expenses shown in **Table 5-3** are inclusive of LXT's capital improvement costs. Capital spending is based primarily on LXT's infrastructure development needs and its ability to secure grants and program improvements. These funds vary widely from year to year and will be forecast on the basis of LXT's most recent Airport Capital Improvement Program (ACIP) for the baseline projection. Over the historical period shown, non-operating expenses were largely made up of Transfers & Adjustments related to the construction of the runway extension.

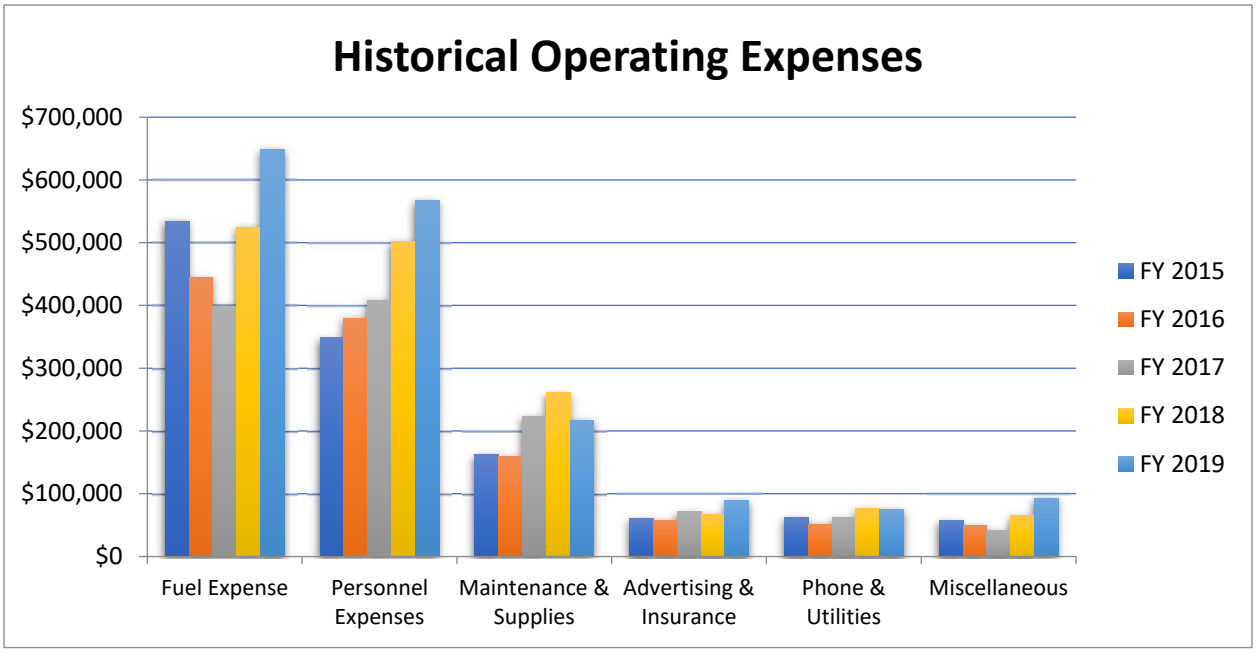


Figure 5-4 - ***Historical Operating Expenses by Category***

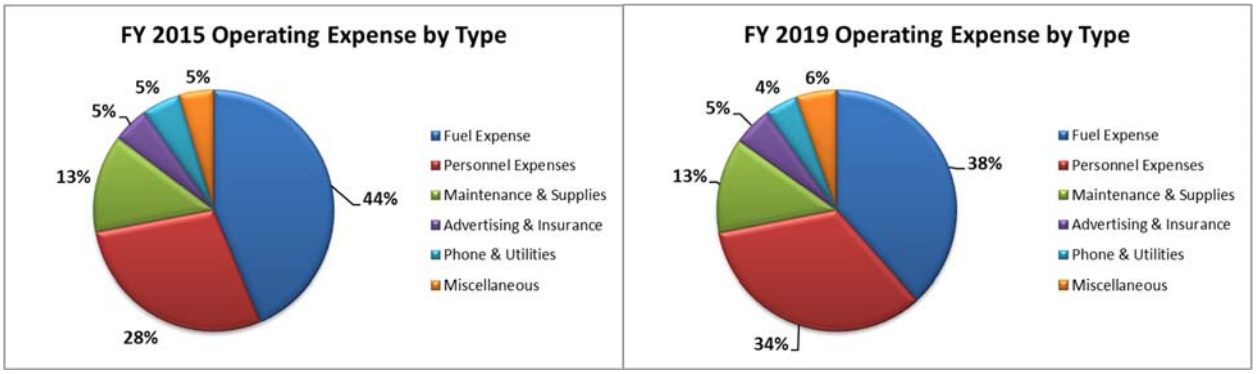


Figure 5-5 - ***Percentage Shifts in Operating Expenses***

In FY2019, Fuel Expense was the largest expense category at LXT ($648,882) and accounted for 38.4 percent of operating expenses. Personnel is the second largest expenditure at LXT. **Figure 5-5** graphically illustrates the percentage shift in operational revenues by type for comparison years FY2015 and FY2019. As shown, although Fuel Expenses remains the highest expense category, it has decreased as a percentage of total operational expenses while Personnel has become a larger expense component.

Table 5-4 presents a summary and comparison of operating revenues and expenses. As shown, LXT has operated at a surplus every year except FY2018. Over the period shown, there were fluctuations, with overall operating surpluses decreasing by an average annual rate of 14.3 percent.

Table 5-4 - Comparison of Operating Revenues & Expenses

Year	Operating Revenues	Operating Expenses	Operating Net Gain/(Loss)
FY 2015	$1,320,925	$1,225,308	$95,617
FY 2016	$1,270,605	$1,143,571	$127,034
FY 2017	$1,293,484	$1,204,371	$89,113
FY 2018	$1,481,056	$1,495,409	($14,353)
FY 2019	$1,720,855	$1,691,002	$29,853

5.3.1 GENERAL AND ADMINISTRATIVE (G&A) COSTS

For a municipal enterprise fund, G&A costs are incurred in the day-to-day operations of enterprise and may not be directly tied to a specific function or department within the enterprise. For LXT, G&A expenses pertain to operational overhead costs that impact the entire Airport, but are not serviced with Airport personnel. Instead, services provided from other City departments to the Airport, such as legal, accounting, finance, and other such services, are considered G&A costs.

In the past, the G&A fee has been forgiven by the City to allow the Airport to put more money back into facility development. Moving forward, the City will cease the G&A forgiveness, and the resulting effects on Airport revenues and expenses are included in this analysis. The City has estimated that the current annual utilization of resources to be $115,000. Although the fee is subject to change throughout the planning period based on resource allocation by the City, this analysis will estimate future charges to remain at a flat rate of $115,000 per year.

5.3.2 ENTERPRISE FUND DESIGNATION

Enterprise Funds are used to account for the acquisition, operation and maintenance of governmental facilities and services that are entirely or predominantly self-supporting by user charges. The operations of Enterprise Funds are accounted for in such a manner as to show a profit or loss similar to comparable private enterprises. Enterprise Funds may be used to report any activity for which a fee is charged to external users for goods and services.

For LXT, the question as to whether it should operate as a General Fund Department of the City or an Enterprise Fund will be addressed in the Recommended Plan. Of key importance is the fact that an Enterprise Fund does not have to be completely financially self-sufficient in order to carry that designation.

* * * * * * *

It is against this historical backdrop that the Forecast of Revenues and Expenses for LXT was developed. It should be noted that most public-use general aviation airports in the United States do not cover expenses with revenues and must be subsidized by their owners/sponsors. In this

respect, LXT is exceptional in its ability to generate revenue and operate within the FAA goal of financial sustainability.

5.4 BASELINE FORECAST OF OPERATING REVENUES & EXPENSES

The Baseline Forecast presents a status quo look at revenues and expenses, influenced primarily by historical activity. The projection does not consider all of the potential changes at LXT that might occur through the implementation of the ongoing Master Plan or this Business Plan. To determine the historical trend, the percent increase or decrease from FY2015 to FY2019 was examined to determine the most reasonable growth rates. FY2020 Budget numbers and FY2021 projections from the City of Lee's Summit were utilized in the forecast.

5.4.1 REVENUES

The following assumptions were used in developing the revenue portion of the forecast:

- ***Fuel Sales:*** Despite the economic slowdown from the global pandemic, Airport revenues from Fuel Sales are projected to increase. While a slowdown of fuel consumption is evident during the months the United States was in lockdown, the effect of the runway extension on fuel consumption put FY2020 on pace to outperform previous years. Records show that the first three fiscal quarters of 2020 showed a 48 percent increase in total gallons purchased over FY2019. Once the negative effects of the pandemic were considered, fuel sales were expected to show a 43 percent increase in FY2020. Included in this projection is the effect of global fuel prices reaching record lows during the pandemic. For the future, the forecast of fuel consumption used the Master Plan forecast of aircraft operational demand growth to project revenues. This growth shows aircraft operations growing from 49,600 to 68,370 by the year 2040 – a 1.62 percent compound annual growth rate. This increase was considered in addition to a 2.1 percent annual CPI increase. The total result of this growth rate is in an average annual increase in fuel revenues of $63,600 over the planning period. It should be noted that growth is limited by the number of based aircraft at LXT, which is a function of the hangar space available. With 100 percent hangar occupancy, growth in fuel sales can only be generated by transient customers.
- ***Lease Revenues:*** Baseline revenues from Airport leases are expected to stay at current levels for the next three years due to a lack of available hangars and current development. Because lease rates are examined each year and adjusted based on a 2.1 percent CPI. The impact of new hangars on revenue growth will be shown later in the Recommended Plan proformas. While the current lease agreements may not state a CPI growth rate, they do permit the City to change the lease rate from time to time with 30-days' notice.
- ***Miscellaneous Revenue:*** This category was increased by the CPI throughout the planning period.

5.4.2 EXPENSES

The following assumptions were used in developing the expense portion of the forecast:

- ***Fuel Expense:*** The fuel expense category is expected to follow along the same growth levels as fuel revenues. As such, there is a 43 percent increase is recorded for FY2020, followed by a 2.1 percent annual CPI increase and a 1.68 percent annual compound growth over the planning period.
- ***Rate of Inflation/Consumer Price Index (CPI):*** Historically, the rate of inflation/CPI has been used to escalate prices when making forecasts of revenues and expenses. For this forecast, a rate of 2.1 percent was used to forecast Personnel Expenses, Materials & Supplies, Insurance, Maintenance & Repairs, Phone & Utilities, Professional Expenses, Advertising, and Miscellaneous Expenses.

5.5 SUMMARY

Drawing on these assumptions for both revenues and expenses, and taking a conservative approach to Airport financial performance, a baseline forecast was developed. These projections do not include the development of new facilities that are being recommended in the Master Plan. Again, the purpose of this baseline projection is to be able to show the impacts of new recommended development on LXT's finances.

The baseline projection of revenues and expenses was forecast through FY 2040. As shown in **Table 5-5**, operating revenues are anticipated to grow from $1,720,855 in FY2019 to $4,108,434 by FY 2040 - an overall growth of 138.7 percent for the period. Baseline operating expenses are expected to increase from $1,691,002 in FY 2019 to $3,277,646 in FY 2040 - an overall growth of 93.8 percent. **Table 5-6 presents** the isolated summary of operating revenues and expenses generated by LXT under this constrained (baseline) scenario.

Table 5-5 - Baseline Forecast of Operating Revenues and Expenses

Operating Revenues:	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Fuel Sales	$929,252	$1,330,731	$1,300,108	$1,348,472	$1,398,635	$1,450,664	$1,504,629	$1,560,601	$1,618,656	$1,678,870	$1,741,324
Lease Revenues	$767,879	$871,663	$983,438	$1,004,090	$1,025,176	$1,046,705	$1,068,686	$1,091,128	$1,114,042	$1,137,437	$1,161,323
Miscellaneous	$23,724	$32,964	$31,309	$31,966	$32,638	$33,323	$34,023	$34,737	$35,467	$36,212	$36,972
Total Operating Revenues	**$1,720,855**	**$2,235,358**	**$2,314,855**	**$2,384,529**	**$2,456,449**	**$2,530,692**	**$2,607,338**	**$2,686,467**	**$2,768,164**	**$2,852,518**	**$2,939,619**
Operating Expense:	**FY 2019**	**FY 2020**	**FY 2021**	**FY 2022**	**FY 2023**	**FY 2024**	**FY 2025**	**FY 2026**	**FY 2027**	**FY 2028**	**FY 2029**
Personnel Expenses	$567,838	$630,395	$673,093	$687,228	$701,660	$716,395	$731,439	$746,799	$762,482	$778,494	$794,843
Fuel Expense	$648,882	$723,467	$656,012	$680,416	$705,727	$731,980	$759,210	$787,452	$816,746	$847,129	$878,642
Insurance	$74,810	$30,455	$47,864	$48,870	$49,896	$50,944	$52,014	$53,106	$54,221	$55,360	$56,522
Advertising	$14,796	$10,327	$16,693	$17,044	$17,214	$17,386	$17,560	$17,736	$17,913	$18,092	$18,273
Materials and Supplies	$139,200	$147,869	$142,057	$145,040	$148,086	$151,195	$154,371	$157,612	$160,922	$164,302	$167,752
Maintenance & Repairs	$77,966	$106,469	$117,332	$119,796	$122,312	$124,880	$127,503	$130,180	$132,914	$135,705	$138,555
Phone and Utilities	$75,113	$80,061	$55,780	$56,951	$58,147	$59,368	$60,615	$61,888	$63,188	$64,515	$65,870
Professional Expenses	$33,737	$36,317	$73,284	$74,823	$76,394	$77,999	$79,636	$81,309	$83,016	$84,760	$86,540
Miscellaneous	$58,660	$195,614	$200,500	$204,711	$209,009	$213,399	$217,880	$222,455	$227,127	$231,897	$236,767
Total Operating Expenses	**$1,691,002**	**$1,960,974**	**$1,982,615**	**$2,034,878**	**$2,088,445**	**$2,143,546**	**$2,200,227**	**$2,258,538**	**$2,318,529**	**$2,380,253**	**$2,443,762**
Net Operating Revenues	**$29,853**	**$274,384**	**$332,240**	**$349,651**	**$368,004**	**$387,146**	**$407,110**	**$427,928**	**$449,635**	**$472,265**	**$495,856**

Table 5-5 - Baseline Forecast of Operating Revenues and Expenses (cont.)

Operating Revenues:	**FY 2030**	**FY 2031**	**FY 2032**	**FY 2033**	**FY 2034**	**FY 2035**	**FY 2036**	**FY 2037**	**FY 2038**	**FY 2039**	**FY 2040**
Fuel Sales	$1,806,101	$1,873,288	$1,942,974	$2,015,253	$2,090,220	$2,167,976	$2,248,625	$2,332,274	$2,419,035	$2,509,023	$2,602,358
Lease Revenues	$1,185,710	$1,210,610	$1,236,033	$1,261,990	$1,288,492	$1,315,550	$1,343,177	$1,371,383	$1,400,182	$1,429,586	$1,459,607
Miscellaneous	$37,749	$38,541	$39,351	$40,177	$41,021	$41,882	$42,762	$43,660	$44,577	$45,513	$46,468
Total Operating Revenues	**$3,029,560**	**$3,122,440**	**$3,218,358**	**$3,317,420**	**$3,419,733**	**$3,525,409**	**$3,634,563**	**$3,747,317**	**$3,863,793**	**$3,984,121**	**$4,108,434**
Operating Expense:	**FY 2030**	**FY 2031**	**FY 2032**	**FY 2033**	**FY 2034**	**FY 2035**	**FY 2036**	**FY 2037**	**FY 2038**	**FY 2039**	**FY 2040**
Personnel Expenses	$811,534	$828,577	$845,977	$863,742	$881,881	$900,400	$919,309	$938,614	$958,325	$978,450	$998,997
Fuel Expense	$911,327	$945,229	$980,391	$1,016,862	$1,054,689	$1,093,923	$1,134,617	$1,176,825	$1,220,603	$1,266,009	$1,313,105
Insurance	$57,709	$58,921	$60,158	$61,422	$62,712	$64,029	$65,373	$66,746	$68,148	$69,579	$71,040
Advertising	$18,456	$18,640	$18,827	$19,015	$19,205	$19,397	$19,591	$19,787	$19,985	$20,185	$20,387
Materials and Supplies	$171,275	$174,872	$178,544	$182,293	$186,121	$190,030	$194,021	$198,095	$202,255	$206,502	$210,839
Maintenance & Repairs	$141,465	$144,436	$147,469	$150,566	$153,727	$156,956	$160,252	$163,617	$167,053	$170,561	$174,143
Phone and Utilities	$67,253	$68,665	$70,107	$71,579	$73,082	$74,617	$76,184	$77,784	$79,417	$81,085	$82,788
Professional Expenses	$88,357	$90,212	$92,107	$94,041	$96,016	$98,032	$100,091	$102,193	$104,339	$106,530	$108,767
Miscellaneous	$241,739	$246,815	$251,998	$257,290	$262,693	$268,210	$273,842	$279,593	$285,464	$291,459	$297,580
Total Operating Expenses	**$2,509,114**	**$2,576,366**	**$2,645,578**	**$2,716,810**	**$2,790,127**	**$2,865,594**	**$2,943,280**	**$3,023,254**	**$3,105,589**	**$3,190,361**	**$3,277,646**
Net Operating Revenues	**$520,446**	**$546,073**	**$572,780**	**$600,610**	**$629,606**	**$659,814**	**$691,283**	**$724,063**	**$758,204**	**$793,761**	**$830,789**

Table 5-6 – Baseline Net Revenues

Year	Operating Revenues	Operating Expenses	Operating Net Revenues
FY 2019	$1,720,855	$1,691,002	$29,853
FY 2020	$2,235,358	$1,960,974	$274,384
FY 2021	$2,314,855	$1,982,615	$332,240
FY 2022	$2,384,529	$2,034,878	$349,651
FY 2023	$2,456,449	$2,088,445	$368,004
FY 2024	$2,530,692	$2,143,546	$387,146
FY 2025	$2,607,338	$2,200,227	$407,110
FY 2026	$2,686,467	$2,258,538	$427,928
FY 2027	$2,768,164	$2,318,529	$449,635
FY 2028	$2,852,518	$2,380,253	$472,265
FY 2029	$2,939,619	$2,443,762	$495,856
FY 2030	$3,029,560	$2,509,114	$520,446
FY 2031	$3,122,440	$2,576,366	$546,073
FY 2032	$3,218,358	$2,645,578	$572,780
FY 2033	$3,317,420	$2,716,810	$600,610
FY 2034	$3,419,733	$2,790,127	$629,606
FY 2035	$3,525,409	$2,865,594	$659,814
FY 2036	$3,634,563	$2,943,280	$691,283
FY 2037	$3,747,317	$3,023,254	$724,063
FY 2038	$3,863,793	$3,105,589	$758,204
FY 2039	$3,984,121	$3,190,361	$793,761
FY 2040	$4,108,434	$3,277,646	$830,789

The results of this Baseline Forecast indicate that under the status quo scenario, where no new revenue-generating strategies are undertaken and no negative economic impacts are considered, operating net revenues at LXT are expected to stay positive and increase gradually over the planning period. In the next section of this Business Plan, a set of revenue enhancement initiatives will be examined that are anticipated to improve the financial performance for LXT.

Section 6

Revenue Enhancement Options

REVENUE ENHANCEMENT OPTIONS

THIS SECTION PRESENTS OPTIONS FOR REVENUE ENHANCEMENT by first examining the results of the SWOT and comparing the current situation to the economic setting for LXT. Revenue enhancement options were then developed with this background information, along with forecasts of probable activity at LXT now that its runway has been made more jet capable. Many of the options from the previous 2008 Airport Business Plan still have merit. However, LXT is farther along its development path, and new recommendations are needed to continue the momentum forward.

6.1 DISTILLATION OF SWOT FINDINGS

THE KEY TO PROPERLY USING THE SWOT is to distill its findings into strategies that can be used for positive growth and revenue enhancement at LXT. There was a significant amount of information developed in the SWOT and its synthesis led to the grouping of findings as follows:

- Areawide Factors and Opportunities for Growth
- Potential Obstacles to Airport Performance
- Summary of Factors

6.1.1 AREAWIDE FACTORS AND OPPORTUNITIES FOR GROWTH

The SWOT pointed to numerous factors supporting potential growth at LXT. First, LXT is ready to receive both aviation and non-aviation growth. There are abundant developable areas on and adjacent to LXT. This readiness is complemented by easy access to expressways and downtown Kansas City. LXT's location is in the southeast corner of metro area and although that is the primary area that it serves, it also includes a significant percentage of the metro area population. Unlike some airports, where local support is lacking, LXT has unusually high backing of both the City leadership and the local residents. There is an understanding of the importance of LXT in economic development, creating and sustaining jobs.

Figure 6-1 – SWOT Workshop

When the City expanded the primary runway length to 5,500 feet, it opened the door to greater levels of corporate aviation activity. It is understood that business aviation is where money and potential Airport revenues are concentrated. That is, corporate aviation is responsible for a disproportionately higher share of total revenues at an airport. Along with improved infrastructure, LXT has a very engaged management and staff, whose main focus is service.

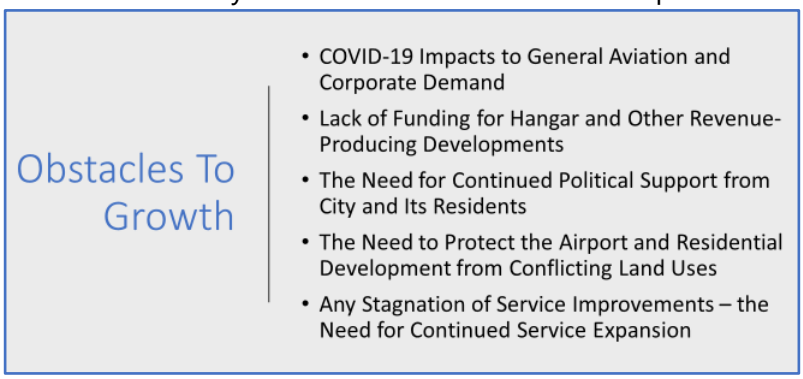
There are 75 business jets located in the Kansas City metro area. Of these, 65 are located at Wheeler Downtown Airport. This market has grown significantly from the 2008 timeframe, when there were 54 jets, 38 of which were located at Wheeler. Wheeler Downtown has thrived due to lack of competition. A new, large hangar would boost LXT and potentially attract tenants from the region. More recently, LXT has attracted several large aircraft from Johnson County airports, as well as Wheeler Downtown. From a regional perspective, continued growth in corporate aviation will provide an ample market for LXT to serve.

In addition to corporate aviation, there is a great potential in aviation education. The St. Michaels aviation education center is located adjacent to LXT. In addition, the Summit Technology Academy, which prepares high school juniors and seniors for college and careers, is working with the Airport on an aviation partnership. Also, the Aircraft Owners and Pilots Association (AOPA) has a curriculum in aviation that is targeted at bringing young people into aviation careers. Given these developments, a large flight school on LXT could increase operational numbers, placing LXT closer to eligibility for an Air Traffic Control Tower (ATCT). This amenity would also benefit efforts to attract corporate aviation, as controlled airports are preferred over un-towered facilities.

Finally, non-aviation development of Airport property is possible, given the areas that cannot access the airfield or will never need to be used for aeronautical purposes. These parcels are suited to industrial and commercial development and would serve to increase revenues to fund Airport operations. All of the locational benefits of LXT also extend to potential businesses that desire a to locate there.

6.1.2 POTENTIAL OBSTACLES TO AIRPORT PERFORMANCE

There are a number of potential obstacles to Airport performance that could derail growth. The first and most pronounced problem is that of the COVID-19 pandemic. Until this threat is constrained, it will wreak havoc in the national economy and all across the aviation transportation industry. General aviation has suffered (although not as much as the airlines) because of business closures, quarantines, and the lack of travel demand both domestically and internationally.



SWOT participants pointed out that LXT is dependent on outside

funding sources from the FAA/State for capital development. In addition, local funding for grant matching or non-eligible project must rely upon favorable attitudes toward LXT. As such, LXT is always subject to political changes which could potentially reduce local funding support.

The lack of amenities and services can reduce potential corporate aviation demand, as can having a bad brand. The presence of an ATCT would help attract corporate aviation, as would additional corporate hangars and a dedicated service staff. Lacking these would not eliminate growth, but it would slow the potential rate of growth significantly.

Finally, it is known that residential housing and airports do not mix well. The land uses are at odds because people living and sleeping near an airport are often disturbed by the noise that aircraft generate. This issue could be exacerbated by the increased use of LXT by jet aircraft. One key to preventing such incompatibilities would be to manage residential growth in a way that minimizes interaction with LXT. Unfortunately, there are areas around LXT not controlled by City zoning. These areas could become obstacles to Airport performance in the future if residential encroachment is allowed.

6.1.3 SUMMARY OF FACTORS

In summary, there are numerous strengths and opportunities available to LXT to attract new business. From an overview perspective, the following opportunities for revenue enhancement could be identified:

- Attraction of Corporate Aviation
- Hangar Development
- Continued Improved Terminal Amenities and Services
- Airport Branding
- Aviation Education/Flight School
- Non-Aviation Property Development

These opportunities must overcome the potential weaknesses and threats to continued Airport viability. A condensed list of potential dampening effects for continued growth include:

- COVID-19 Impacts to General Aviation and Corporate Demand
- Lack of Funding for Hangar and Other Revenue-Producing Developments
- The Need for Continued Political Support from City and Its Residents
- The Need to Protect LXT and Residential Development from Conflicting Land Uses
- Any Stagnation of Service Improvements – the Need for Continued Service Expansion

The following sections address each of the main revenue enhancement opportunities.

6.2 REVENUE ENHANCEMENT OPPORTUNITIES

IN THE PREVIOUS BUSINESS PLAN, COMPLETED IN 2008 by R.A. Wiedemann & Associates, many of the same revenue enhancements were identified as have been identified in this Business Plan. However, one item – Runway Extension – has been implemented. That development initiative was the major recommendation of the previous Business Plan. By following through its expedited development, the City has already seen a boost in revenues for LXT, as more corporate aviation has been attracted.

This Business Plan is meant to develop new revenue enhancement recommendations. These recommendations are designed to keep LXT's growth trajectory in a positive direction, even with the COVID-19 disruptions. This Business Plan answers the question, "Where do we go from here?" Now that the main portion of infrastructure development (runway extension) has been completed, there are a host of other actions that need to occur to take full advantage of the new facilities and positive momentum. The following sections outline potential revenue enhancement options available to LXT.

6.2.1 ATTRACTION OF CORPORATE AVIATION

The attraction of corporate aviation and more business jets is seen as the most effective way to grow revenues and expand economic development at LXT. With quiet technology improvements for jet engines, the noise footprint for corporate aircraft has been shrinking. Thus, improving the living environment around an airport and attracting corporate aviation are not opposing goals.

Whether based or itinerant, fuel sales to business jet aircraft are substantially higher than to any propeller-driven aircraft. With an average fuel upload of more than 500 gallons, business jets are sought by airports with facilities capable of handling them. At LXT, the history has shown an average upload of business jets at about 150 gallons. This is relatively low, as many of the aircraft are flying short stage lengths to get to their home base before actually filling the tanks.

At LXT, the fuel sales experience since extending the runway has been instructive. In FY2015, LXT sold 150,731 gallons of fuel. In FY2019, that total had increased to 206,101. For FY2020, LXT sold 272,970 gallons of fuel. And this incorporated the downturn in growth caused by the COVID-19 epidemic.

There has been one reason for the increase in fuel sales – greater use by corporate aviation. There are now four (4) business jets based at LXT. In addition, there have been a number of hangar development proposals offered by private interests. In short, the ability of LXT to accommodate corporate and business aviation has struck a chord in the Kansas City metro area. A key component of this business plan is to show steps needed to wisely take advantage of the circumstances and attract corporate aviation in a manner that will create success for both LXT tenants and City of Lee's Summit.

STRATEGIES TO ATTRACT CORPORATE AVIATION

There are three primary strategies aimed at attracting more corporate aviation activity to LXT. They include:

- Hangar Development
- Continued Improved Terminal Amenities and Services
- Airport Branding

All three of these strategies have their own sections in this report. Therefore, only a brief overview will be provided here.

Figure 6-2 – Hangar 1 Aircraft Storage at LXT

Changing LXT brand is the first important step to take toward becoming known as a corporate aviation airport with a mission to serve that clientele. Part of the brand change will involve the development of new airport name and additional terminal amenities and services. Corporate aviation clients are accustomed to a certain level of service that exceeds those at "municipal" airports. And finally, if the program is successful, LXT will need more storage space for their new corporate aviation aircraft. Therefore, new hangars will need to be constructed to accommodate this new activity.

POTENTIAL DEMAND

A successful program to attract corporate aviation to LXT could attract an additional 50 percent jet aircraft over and above the baseline forecast of jet aircraft demand. In other words, there is a specific target of business jet activity to measure the success of the initiative. At LXT, the baseline forecast of jet activity shows a total of 14 jets by 2040. This is an aggressive forecast. However, for this Business Plan, a goal of 21 jets would signal a more successful program of attracting corporate aviation.

In addition to business jets, many multi-engine aircraft are used for business aviation. In this regard, there are a total of 12 multi-engine, propeller aircraft forecast for 2040. Because production of multi-engine aircraft is not growing as fast as the production of jet aircraft, a smaller

percentage growth in this category would signal success. In this regard, a 25 percent increase was set as the strategic goal. That would mean a total of 15 multi-engine aircraft at LXT by 2040.

In addition to based aircraft, the itinerant use of LXT by business jets and other business aviation should increase over the forecast period. The strategic goal is to increase business aviation itinerant use by 25 percent. For these aircraft that are not based at LXT, the primary benefit to LXT comes from fuel sales.

FINANCIAL FACTORS

Revenue and expense factors associated with the attraction of new corporate aviation clients will have an impact on Airport financial production. Depending upon whether or not LXT or private enterprise funds the construction of new hangars, the revenue streams will differ significantly. These specifics are described in a later section. However, the primary differences involve collecting land lease revenues versus full market rates for hangar space. To collect full market rates, the City must own the hangar. For a new facility, this means funding its construction and repaying the debt with revenues from its rentals.

In addition to aircraft storage revenues, LXT stands to benefit from increased fuel sales. As the FBO, the City collects all the fuel markup. Typically, aircraft fuel consumption rates range as follows:

- Single engine aircraft - 200 to 500 gallons annually
- Multi-engine aircraft - 3,000 to 5,000 gallons annually
- Jet aircraft - 25,000 to 45,000 gallons annually

Revenues from fuel sales can be estimated from total projected fuel sales.

Other financial factors associated with new based aircraft and activity include the need for additional aircraft maintenance services and the potential for City investment in public/private partnerships.

6.2.2 HANGAR DEVELOPMENT

A foundational strategy for attracting additional based aircraft is to build hangars to accommodate them. When existing hangar space has been filled and space exists for development, there is no reason not to build additional hangars. The only questions are how they should be financed and who should develop them. If the City could develop hangars at a cost that allowed for the recoup of investment from rents, that option would be viable, assuming the City had excess capital available to use for construction. On the other hand, if capital is scarce, the City could opt to have private enterprise develop the hangars on ground-leased property. These are the two basic methods used at airports around the nation to develop hangars. The decision to do

one or the other often depends on the local market and the details of how the project will be financed.

Potential Demand

The baseline forecasts for business jets and other aircraft at LXT show an increase of 40 based aircraft over the planning period. This increase will require a minimum additional 20 T-hangar units and 84,000 square feet of conventional hangar space by the year 2040. Assuming the strategies for attraction more corporate aviation activity worked, this would mean seven more based jets and three more multi-engine aircraft. This would add a minimum of 58,000 square feet of conventional space to the projected totals.

Figure 6-3 - Hangar 1 at LXT

These space requirements assume an average of 1,000 square feet per T-hangar unit, 1,800 square feet for multi-engine aircraft, and 7,500 square feet for business jets, on average.

A key element in determining the potential demand involves the final price per square foot of conventional hangar space. If LXT can develop competitive hangar prices, relative to Wheeler Downtown and other jet-capable airports in the region, LXT can be successful in penetrating the large market share held by Wheeler. Not all business jet aircraft owners will benefit from locating their aircraft at LXT, however, that is not the goal. The goal is to attract a small percentage of aircraft owners that will benefit economically and logistically from an LXT location.

Financial Factors

The decision analysis for building hangars includes numerous factors, each of which could play a pivotal role in determining who and how the hangar gets constructed. The decision model includes the following inputs:

- Hangar Cost
- Hangar Size
- Ground Lease Footprint (for private enterprise development)
- Lease Period
- Hangar Lease Rate per Square Foot
- Ground Lease Rate per Square Foot
- Annual Maintenance Costs (if any)
- Inflation Rate
- Percent Financed by Loan
- Loan Interest Rate

- Loan Length (in years)

Using these inputs, a comparison can be made between Airport Sponsor development of hangars and private enterprise development of hangars on ground leased property.

Typically, private development of hangars is between one-third and one-half less than public development for a number of reasons. Most public sponsors must pay prevailing wages and use engineering firms rather than pre-engineered structures. This lower amount for private developers is the margin that permits them to charge lower hangar rates and attract more demand.

Two non-standard cases for airport Sponsors mentioned here include the use of grants for hangar funding and public-private partnerships for hangar development funding. The FAA allows an airport to use their non-primary entitlement grants to fund revenue producing projects such as hangars and fuel systems, if their airfield does not need any grant funding. For some hangar development, this grant funding makes the difference between positive and negative cash flows for local market hangar rental rates.

Other public-private partnerships have been developed where the airport Sponsor uses grant funding and a private partner to develop the hangar. In this way, the airport Sponsor has invested only 10 percent of their banked share. In return, they have access to 50 percent of rental revenues from their hangar project. Variations of this arrangement have been made at other airports.

6.2.3 IMPROVED TERMINAL AMENITIES AND SERVICES

Airport Management has done a very good job in improving terminal amenities and services to keep up with increased corporate aviation demand. However, because of the intense competition, there is always more work to do. Terminal amenities and services typical of many high-end corporate aviation airports include:

(Available at LXT)

- Crew Lounge (seats six persons)
- Flight Planning Rooms/Space
- Conference Room (modular building seating up to 15 around oval table)
- Hotel Packages (currently one hotel works with LXT)
- Courtesy Cars
- Concierge
- Catering (Medium and High-end)
- Lavatory Service
- De-icing
- Aircraft Repair
- Washer/Dryer
- Air Conditioning Unit for Aircraft Cabins
- Wi-Fi Capability on the Ramp

(Not Currently Available at LXT)

- On-site Car Rental Facilities (LXT allowed to re-rent returned cars)
- Restaurant Packages
- Coffee and Retail Shops
- Avionics Repair and Sales
- Air Traffic Control Tower (ATCT)
- Executive Lounge
- Showers
- Dishwasher

Some of the items currently not available are in the process of being purchased or upgraded (dishwasher, avionics certification coming soon, and limited Wi-Fi on north ramp).

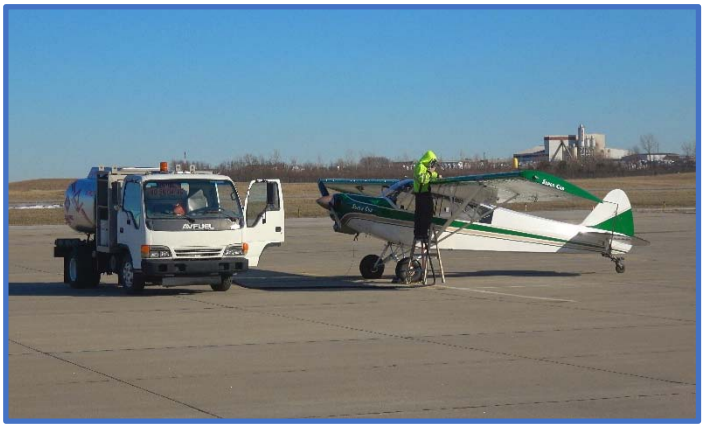


Figure 6-4 – Fueling Operation at LXT

Moving into the larger arena of corporate aviation requires investment and a commitment to service. As discussed earlier, the City of Sugar Land, TX has proven that a municipally run airport can compete internationally with other FBOs and win. This required investment in infrastructure and terminal amenities. It also took a commitment to developing a culture of service by both management and employees.

POTENTIAL DEMAND

Improved terminal amenities and services would support the attraction of corporate and business aviation to LXT. Thus, the potential demand would be the same as for the Attraction of Corporate Aviation, described above. However, by providing these amenities and services, there is a higher probability of attracting the targeted growth segment. In addition to the corporate and business demand, the development of an ATCT would likely improve the chances of attracting a significant flight school, simply because students have a need to train under controlled airspace conditions.

FINANCIAL FACTORS

At LXT, development of a first-class corporate aviation facility can reap significant financial dividends. Common mistakes in municipal governments is the avoidance of "soft costs" associated with terminal amenities and services at their airports. Many view these items as secondary and not important to the bottom line. Their main concern is running the airport and keeping the runways clear. And yes, that is important. However, neglecting the customer side of the equation forfeits discretional corporate and business aviation activity that can land at any jet-capable airport in the Kansas City area.

The largest cost item would be the Air Traffic Control Tower, followed by the Executive Lounge and showers. Avionics certification will be available soon. That leaves the coffee shop, dishwasher for corporate crews who have food galleys on board and need to wash dishes/cookware, and restaurant packages. Except for the dishwasher and restaurant packages (both could be implemented for less than $2,000), the remaining items will likely need to wait until traffic increases to the point that they can be supported.

Costs to implement the remaining service items in rough order of magnitude costs would include:

- Air Traffic Control Tower - $8.0 - $10.0 million for brick and mortar building[1]
- Remote Virtual Tower - $2.0 - $3.0 million[1]
- Executive Lounge (1,500 sf) - $150,000 - $300,000[2]
- Showers (4 stalls) - $50,000 - $75,000[2]

A new concept that is working in some locations involves a "remote virtual tower." Virtual tower services at small and medium size airports would be provided by personnel located at a remote tower center somewhere else. The tower works using video-sensor based surveillance instead of 'out-of-the-window' view from a real ATCT. This would be significantly less expensive than building a physical ATCT.

6.2.4 AIRPORT BRANDING

As the number of choices for corporate aviation proliferate, the need for an easily identifiable brand is an absolute requirement. LXT must continue developing tools and methods geared toward building a strong brand with immediate geographic identity, ideally focused upon attracting corporate based aircraft and itinerant operations. This single market segment has the greatest potential to contribute to increased market share and an overall improvement in the revenue stream.

Figure 6-5 – Historical Iconic Brands

[1] Source: Raytheon Intelligence & Space, "In Plane Sight, Remote Virtual Towers Could Replace Costly Airport Structures." 3/2020. https://www.raytheonintelligenceandspace.com/news/feature/plane-sight#:~:text=Constructing%20a%20new%20brick%2Dand,Carolina's%20Charlotte%20Douglas%20International%20Airport.

[2] Source: Consultant Estimate

New potential names for the Airport to represent its new brand have been suggested, including: Lee's Summit Regional or Executive Airport, Kansas City Regional or Executive Airport, Greater Kansas City Regional Airport, and Heart of America Air Center.
The "corporate" focus of the new Airport brand will lend itself naturally to all other facets of Airport business growth, including; both aviation and non-aviation land development; the eventual development of a new terminal and corporate hangars on the east side; support and growth of small general aviation aircraft usage, and so on. Simply put, a polished brand well executed, will positively impact all other areas of Airport activity and business growth.

Potential Demand

As mentioned, the potential increase in corporate aviation could include an additional 17 based jets, 7 of which are attracted because of the new brand. Essential elements that contribute to LXT upgraded brand should include:

- LXT's 5,500' x 100' jet capable runway.
- Corporate pilot friendly infrastructure, services, and amenities.
- LXT's position near the geographic center of the United States.
- A legitimate boost from "Municipal" to "Regional" or "Executive" status.
- LXT's skilled and friendly – service oriented – staff committed to meeting and exceeding customer expectations.
- Lack of airspace congestion, relative to Kansas City International or Wheeler Downtown Airport.

Existing Competition within Service Area

Of the airports within the service area, there are three best positioned to compete as primary competition with LXT for the profitable corporate aviation, based aircraft market segment:

- Charles B. Wheeler Downtown
- New Century AirCenter
- Midwest National Air Center

Charles B. Wheeler Downtown (MKC):

As the original air carrier airport in Kansas City, MKC has a 6,827 x 150-foot primary runway and a control tower staffed 24 hours. Although no longer serving commercial airlines, the airport does serve as a convenient hub for chartered flights including those of professional sports teams traveling to compete with the Royals, the Chiefs, and the Sporting Kansas City major league soccer team.

Additionally, MKC is served by three FBOs, Atlantic Aviation, Signature Flight Support, and the City operated FBO. These factors – combined with full ARFF services – contribute to attracting the lion's share of corporate jet activity among area airports. The based aircraft mix at MKC consists of 65

jets, 21 multiengine, 78 single engine, and 4 helicopters for a total of 168 aircraft. MKC has an adequate website and good presence on Facebook, Instagram, and Twitter. Because of its location and history as the original aviation option for Kansas City, MKC is enjoying an extended ride upon its legacy. It is reasonable to assume that one or more of the 86 jet and multiengine tenants at MKC might be interested in the less crowded air space and lower fee structure at LXT.

New Century AirCenter (IXD)

IXD in Olathe features a 7,339 x 150-foot primary runway with a FAA contract air traffic control tower, Category I instrument landing system, and fire station. The 2,500-acre tract is billed as the region's multimodal center, merging air, rail, and interstate highway transport. Three full-service fixed base operators on the field – Advanced Jet Center, Quick Turn Central, and Signature Flight Support - provide fuel and flight services for all classes of reciprocating and turbine aircraft, seven days a week. Other services include air charter, aircraft sales, aircraft maintenance and flight training. IXD has 45 based aircraft including, 1 jet, 6 multiengine, and 22 single engine aircraft.

Originally named Johnson County Industrial Airport, the name was changed to New Century AirCenter in 1995 to provide a stronger marketing tie with New Century Business Park. IXD has a rudimentary webpage hosted on the City's website with a good presence on Facebook, Instagram, and Twitter. With all the investment and improvements on the airport itself, it is not difficult to imagine that IXD will eventually upgrade its website and marketing outreach which could possibly put some pressure on LXT.

Midwest National Air Center (GPH)

GPH in Mosby features a non-towered 5,502 x 100 with ILS approaches. FBO services are provided by Quick Turn Flight Support. The GPH tenant base consists of 3 jets, 39 multiengine, 49 single engine, and 2 helicopters for a total of 94 aircraft. GPH has a functional website and good presence on Facebook, Instagram, and Twitter. Due to its location on the north side of Kansas City, GPH is not a direct competitor for based tenants at LXT, although it is not unreasonable for LXT to compete for valuable itinerant corporate jet traffic, and my even win a few based aircraft by providing greater amenities and value.

Itinerant Corporate Operations

With regard to attracting itinerant corporate aviation operations, Kansas City International Airport (MCI) – home to only two based jets – is a key contender. MCI's three runways – all 9,500 feet or longer permit the airport to accommodate nearly 140 flight operations per hour. At the time of this report, MCI serves a dozen commercial airlines, numerous charter operations, and still makes room for corporate and light aircraft operations. Many professional sports teams also utilize MCI when traveling to compete with Kansas City teams. Additionally, MCI is served by Signature Flight Support, FBO.

FINANCIAL FACTORS

A new brand can be expensive. It would involve the following steps to implement LXT's fresh new identity. The cost estimates that follow are drawn from known ranges based on similar successful projects for other airports. It must be acknowledged that depending upon numerous factors, costs can vary radically from those specified below:

- A new Airport name must be selected. Cost: Minimal if performed "in-house."
- Artwork would be initiated to design a unique visual identity (Logo). Cost Range: $6,000 - $10,000. (This price could climb sharply if the City used a large branding company).
- Guidelines would be established to specify brand colors, and the recommended uses, sizes, and positioning of LXT logo for maximum brand awareness. Cost Range: $1,000 - $2,500.
- A brief marketing plan must be outlined to deploy the new look. This will should include recommendations for:

    - A stand alone "Corporate" themed Airport website linked to – and prominently featured within – the City website. Cost Range: $4,000 - $8,000
    - Production of a new Airport video that provides a brief history, current developments, and a vision of the future featuring the new Airport name and branding elements. Cost Range: $8,500 - $10,000.
    - Development of a tag line that would help position LXT as a destination of choice for corporate aviators. Cost: Minimal.
    - The development of a targeted social media outreach is vital to contending for potential customers. This involves a professional presence on Facebook, Instagram, Twitter, and other viable platforms. Cost Range: $3,500 - $7,000.
    - Recommendations on development of a targeted Direct Mail campaign designed to reach business aircraft owners in the immediate region, assuming four to six mailings (annual cost). Cost Range: $3,000 - $5,000.
    - Recommendations for unique logo wardrobe and signage that will promote and further solidify the new brand. Cost Range: Minimal (included with Logo development cost).

Each of these components has a cost range. And while they are not all required, many are important in conveying the message to customers that a change has taken place, not in just the infrastructure of LXT, but in its management philosophy and service practices.

Budget permitting, a comprehensive Airport Marketing Plan would incorporate many of the above referenced items, plus addressing:

- Develop a comprehensive Airport marketing and public relations program that includes print, multimedia and marketing tools needed to promote the new brand, and amenities of LXT.

- Develop an Airport press kit with outlined press releases, high resolution photos, official logo art and usage guidelines, Airport history, etc. for the purpose of improving public and media relations.
- Airport entry and off-Airport directional signage.
- Specifications for Airport vehicle signage.
- Recommendations for logo merchandise, and ad specialties that will promote and further solidify the new brand.
- Recommendations for proactive outreach to improve the community's perception of the role and importance of LXT.
- Outline specific steps to increase the economic impact of LXT on the community, by increasing based and itinerant corporate aviation use, and by enhancing existing and/or developing new specialized aviation products and services.
- Develop a marketing initiative to increase the use of LXT by aviation clubs, associations, and organizations.
- Develop materials for promoting aviation and non-aviation land development.
- Help the City determine how to brand its FBO, perhaps separately from LXT.
- The Cost Range for a comprehensive Airport Marketing Plan which will provide necessary steps for renaming and branding plus a clear course of action for the following years: $40,000 - $50,000

Detailed recommendations on the above steps will follow in Section 7.

6.2.5 AVIATION EDUCATION/FLIGHT SCHOOL

In early 2020, the idea of aviation flight school development was popular amongst colleges and universities because of the decade or so pilot shortage predicted in the aviation industry. Since that time, the COVID-19 epidemic has seen airlines park vast numbers of aircraft and layoff or furlough significant percentages of their pilots. This development has put the brakes on some new programs and flight school expansion actions. Typically, aviation is the first industry to feel the effects of a recession and the last to recover from it.

The assumption for this Business Plan is that aviation demand will be essentially pushed back at least three years, but because the economic fundamentals were not at fault, growth can continue as it had in the pre-COVID-19 period. If anything, there is now some "breathing room" to develop a longer-range plan for aviation education and/or flight school.

ST. MICHAEL THE ARCHANGEL (SMA)

Next door to LXT, SMA is the only Catholic high school nationwide that offers and Aviation program. SMA partners with the Aircraft Owners and Pilots Association (AOPA) & High School Aviation STEM Curriculum to set the course of study. Students do not graduate with a pilot's license after completing the SMA program. However, they are prepared

to take the FAA's Private Pilot Knowledge Test or the Part 107 Remote Pilot Knowledge Test. Given the proximity to LXT, a follow-on program could be developed that would involve actual flight training and simulator time.

SUMMIT TECHNOLOGY ACADEMY (STA)

In addition to SMA, the STA, which prepares high school juniors and seniors for college and careers, is working through the R-7 School District and with the Airport on an aviation learning partnership. STA is a shared campus of junior and senior students who come together for a half-day program as an extension of their home high school.

STA is a career-focused academy designed to prepare students for tomorrow's professional workforce. It is located at the Missouri Innovation Campus building, which is a cutting-edge facility that looks and feels like today's top collaborative workplaces. STA shares this facility with the University of Central Missouri–Lee's Summit, creating a professional collegiate atmosphere for students from 30 public and private high schools sent from 18 school districts.

STA is currently developing an Aerospace Academy, which will focus on seven areas of aviation tracks for students:

- Aerospace Engineering Track
- Avionics Track
- Professional Pilot Track
- Aviation Maintenance Track
- Drone Pilot Track
- Aviation Management Track
- Military Aviation Track

In this program, the high school junior year would focus on digital electronics/aerospace engineering (flight and electronic principles). The senior year would focus on continued ground school and avionics prep. These are called the "front and back side of the airplane console" studies.

While STA does not have a flight training program (and probably will not), they do prepare students for flight training by providing ground school and other aviation education programs. Currently, they feed students to the flight training program at the University of Central Missouri in Warrensburg and other universities with flight training programs.

There has been talk of a partnership with Lee's Summit Municipal Airport for an Airport Lab Space proposal. This would place students at an airport location. Details have yet to be worked out. However, the Business Plan will assume that some space on the East Side will be dedicated to the STA program.

SATELLITE FLIGHT TRAINING PROGRAM

The flight training program at the University of Central Missouri (UCM) is based at Skyhaven Airport, with little chance of that changing. However, it is possible that growth in flight training activity may be spurred by the STA and SMA programs, which could result in the development of a satellite flight training program at Lee's Summit Municipal Airport. In this regard, a flight school at LXT would likely have to be first developed privately. In many cases, new aviation programs at colleges and universities have used independent contractors for the flight training portion of their curricula. Once the program gains enough students, it can be taken "in-house," where students themselves become certified flight instructors (CFIs).

POTENTIAL DEMAND

The key to determining the feasibility of an aviation flight school at LXT is the determination of potential student demand. This demand was estimated for student pilots using existing and historical data for student pilots in the Kansas City metro area. According to FAA databases, there are 752 student pilots in the zip codes associated with the metro area.

Figure 6-6 - Flight Simulator Controls

On a broader basis, an estimation process that would confirm the student pilot averages is one where a per capita number could be generated for the combined states of Kansas and Missouri. In addition, aviation program enrollment considered non-flight students that may desire degrees in aviation management or similar programs. These totals could then be forecast for the Kansas City metro area to give a better understanding of the potential market for an aviation program.

- 2019 Student Pilots in Kansas and Missouri: 3,654
- 2019 Population of Kansas and Missouri: 9.05 million[3]
- 2019 Population of Kansas City MSA: 2.14 million[4]

Using these numbers, it was estimated that Kansas City MSA would currently generate an average of 865 student pilots. That is slightly higher than the actual number of 752, but it does give an idea of the potential for additional students.

Assuming that a flight training program could capture 10 percent of the existing and future student population, roughly **80 student pilots** could be included in proformas. In addition to student pilots, at other university aviation flight training programs there is an average of about 30 percent of the aviation majors that do not involve flight training (often those students who "wash out" of the flight program). This would translate into a total of 100+ aviation program students.

[3] Source: U.S. Census Bureau: https://www.census.gov/quickfacts/MO; and https://www.census.gov/quickfacts/KS; Accessed 6/4/20.
[4] Source: Consultant Estimate interpolating 2018 estimate of 2,106,600 and 2020 estimate of 2,176,400. https://worldpopulationreview.com/us-cities/kansas-city-population/, accessed 6/4/2020.

In addition to the potential student pilot population, it is important to identify potential academic outlets that would host aviation education programs. Currently, the University of Central Missouri has an aviation program in place, with more than 100 students in the program. Flight training is performed at Skyhaven Airport, near Warrensburg, MO. That facility is 41 miles from LXT, which would make commuting difficult. However, it is possible that a cooperative program could be developed to establish a satellite flight training program or classes at LXT.

Discussions with representatives of the Aviation program at UCM indicate an interest in exploring potential flight training scenarios at LXT. Such a program would likely start with one or two aircraft and build from there. To be successful, the program would have to pay for itself over time. At this point, the conversations have been started and further discussions will be held between collaborative parties to explore feasible flight training options at LXT.

FINANCIAL FACTORS

LXT would benefit from the establishment of a flight school through the increased number of aircraft operations and fuel consumption. For example, a program with 80 student pilots could potentially generate 20,000 aircraft operations, along with increased fuel sales of 40,000 gallons of Avgas. This operational level is similar to the Professional Pilot Training Program at Delaware State University.

For LXT, the presence of a university-affiliated flight school could eventually translate into the following:

- Eight-Ten Additional Based Aircraft
- 20,000 Annual Aircraft Operations
- T-hangar or Conventional Hangar Space (8,000 s.f.)
- 40,000 Gallons of Avgas
- On-field Demand for Aviation Mechanic

Both the hangar storage space rentals and fuel margin revenues would contribute to LXT's bottom line. In addition, the additional 20,000 or so aircraft operations would move LXT closer to qualifying for an ATCT. A Control Tower will help with the attraction of corporate aviation. It would also function to keep student pilot training safely away from business jets using LXT.

6.2.6 NON-AVIATION PROPERTY DEVELOPMENT

For purposes of this Business Plan, non-aviation land use describes areas without airfield access. For these areas, development possibilities should consist of appropriate uses that are compatible with an airport environment. Industrial development (manufacturing, warehousing, distribution, assembly, or production activity) is considered highly compatible for non-aviation airport property development, partially due to the capability of these entities to absorb the noise impacts from

airport activity. Commercial/Retail development (office buildings, commerce parks, restaurants, franchise, and specialty goods outlets) are also considered compatible development for airport activities, although these areas are impacted more by airport-related noise than industrial development due mostly to the human activities there.

Non-compatible development would include anything characterized as a residential area. This includes homes, schools, churches, community centers, recreation/sports facilities, daycare centers, nursing and assisted living facilities, and other uses that are generally enjoyed as quality-of-life-enhancing amenities. These areas are the least compatible with airport-related noise because people live and sleep in these buildings. In addition, safety concerns for both property owners and airport users should limit the amount of residential land use in the near-airport approach areas.

Developable Land

Two large parcels of Airport property have been identified as potential non-aviation developable land. These parcels do not have access to the airfield and cannot ever be used for aviation purposes. Rather than let them sit idle, the Business Plan recommends the conversion and use of the land to revenue producing property. Figure 6-7 shows the location of these developable parcels. Their descriptions include:

- North Side Parcel: This parcel is located along Strother Road and includes roughly 16 acres of property for potential development. Because of terrain slopes, development uses will need to be carefully planned.
- South Side Parcel: This parcel is potentially accessible from NE Town Center Boulevard. It contains approximately 30 acres and it also has some terrain sloping, but not to the degree as the North Side Parcel.

Market Conditions

In Kansas City, commercial real estate is comprised of several sectors: office market, industrial market, retail, and multi-family housing market (condominiums, rental properties). For Lee's Summit, non-aviation property development will focus on all but the residential multi-family developments. The existing business and industrial development located adjacent to LXT on NE Hagen Road and NE Independence Road are made up of a mix of industrial, commercial retail, and some office space, including a church.

For 2019, the Kansas City commercial real estate outlook was good, with most sectors still growing. Block Real Estate Services (BRES) reported the following statistics and outlook:[5]

Office Market: The Kansas City office market saw rental rates increase from $19.62 per square foot in 2018 to $20.31 in 2019. This compares to the national office rental rate increasing to $33.83 per square foot in 2019 from $25.49 per square

[5] Source: www.blockllc.com/marketreport; Block Real Estate Services Market Report.

foot in 2018. This market also experienced positive absorption of nearly 38,800 square feet in 2019, down from 77,069 square feet in 2018. All of this being said, the impacts of COVID-19 are likely to reduce both the demand for offices space and the price levels from 2019 for some time to come.

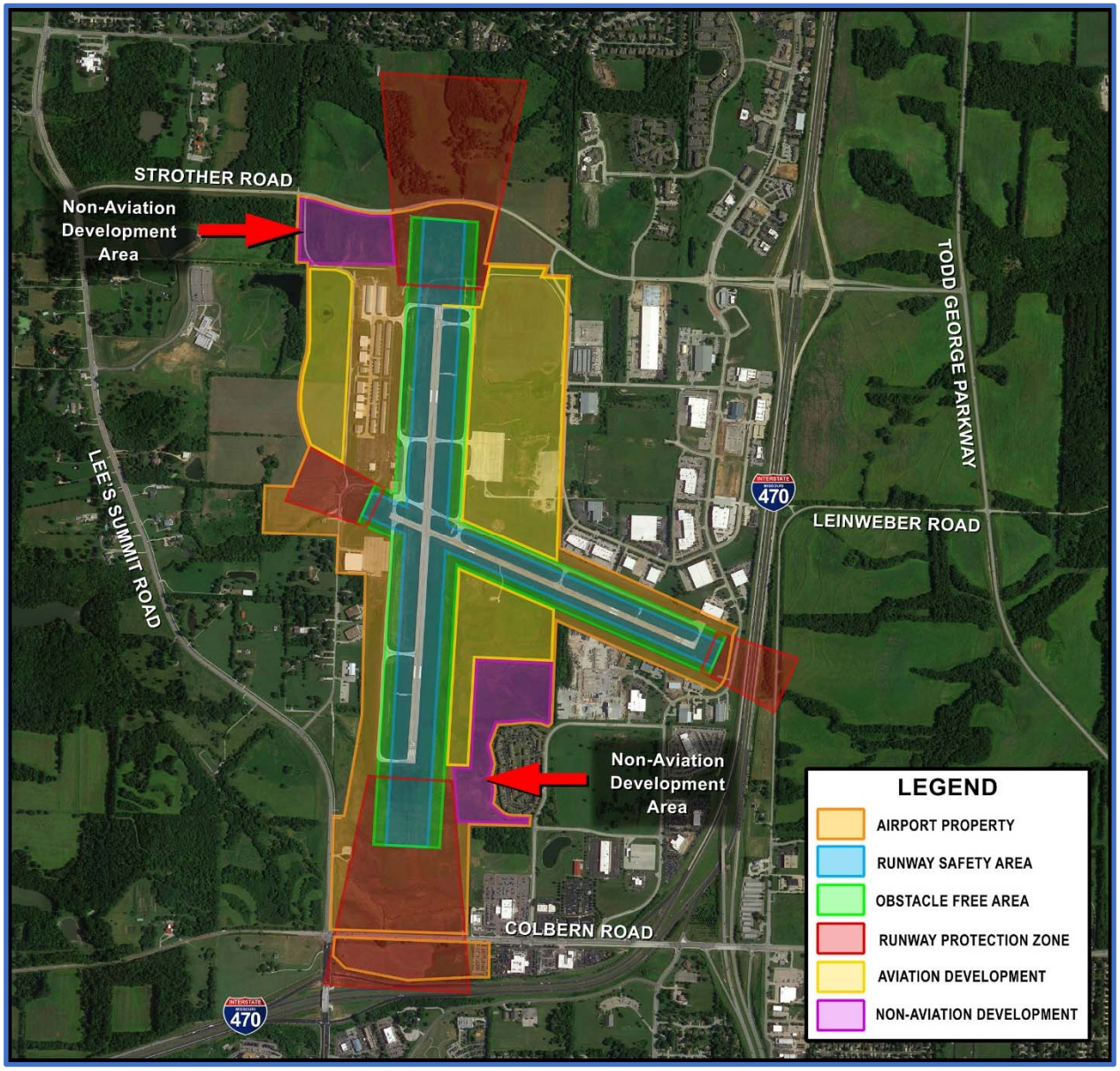


Figure 6-7 – Non-Aviation Airport Land for Possible Development

Industrial Market: Kansas City's industrial market has experienced an unprecedented expansion for the past several years which continued through 2019. Industrial leasing in 2019 totaled 10.48 million square feet with net absorption of 6.3 million square feet. With a slowdown in speculative construction, it is anticipated that vacancy rates will increase slowly over the next few years to around 6.5% while rents continue to increase in the market.

Retail Industry: The retail industry has evolved in recent years, as the development of greenfields slow down, while the refacing of older, yet viable, centers at strong intersections increase. One trend is to bring mixed-use developments, including retail, straight to the consumer beneath luxury apartments. There continues to be new retailers filing for bankruptcy protection while others attempt to evolve through right-sizing their brick and mortar footprints and expanding their ecommerce offerings. In 2019, overall, vacancy rates remained constant across the metro, moving from 6.0% at the end of 2018 to 6.3% at the end of 2019, while average rental rates decreased slightly, $0.19, to $12.97.

During the first quarter of 2020, the picture changed, not just in Kansas City, but globally with the advent of COVID-19. The COVID-19 pandemic has forced social distancing and immediate disruptions to the supply chains and loss of revenue in the Kansas City commercial real estate market beginning in March and extending for an undetermined period.

Once the COVID-19-induced recession is over, commercial real estate development near LXT will restart. Newmark Grubb Zimmer, a full-service commercial real estate company headquartered in Kansas City, believes as e-commerce sales continue to rise, the push for near-shoring manufacturing operations will become stronger as concerns for international supply chain disruption will not be forgotten. In addition, the extremely lean inventory levels will also be reconsidered, leading to possible increased space needs. These national growth pressures, combined with investor pursuits of non-volatile assets could increase the demand for local commercial real estate.[6]

LIKELY DEVELOPMENT SCENARIO

Because of COVID-19 impacts on the demand for commercial real estate, it is possible that the traditional non-aviation development of Airport property will be pushed to Phases II or III. The more likely scenario for the immediate planning period would be the development of individual sub-parcels of LXT property for companies that have a geographic need to be in the area or a desire to be adjacent to an airport. Most of these anecdotal scenarios cannot be predicted but instead, rely on outside circumstances and "being in the right place at the right time." While this is not a scientific explanation, time and chance are factors in many business deals. For this business plan, the impact of the commercial real estate glut in the Kansas City metro area will be to push reliance on the financial production of non-aviation property to future planning periods.

The Recommended Plan will discuss the potential revenue associated with the development of non-aviation property at LXT. Results will be included in the final proformas.

[6] Source: Newmark Grubb Zimmer, "1 Q 2020 Kansas City Industrial Market Report." https://ngzimmer.com/sites/default/files/1Q20-Kansas-City-Industrial-Market-Online.pdf, accessed 6/8/20.

Section 7

Recommended Plan

RECOMMENDED PLAN

THE RECOMMENDED BUSINESS PLAN FOR LXT FOCUSES on methods that the City of Lee's Summit can use to maximize future growth opportunities for the Airport. As mentioned in Section 6 of this plan, the Airport has significant opportunities to develop future revenue. These opportunities stem from the potential physical expansion of the Airport, coupled with the aviation demand growth in the greater Kansas City area. In this section, it is important to note that the expansion opportunities discussed are not tied to the expansion of the runway, or the addition of FedEx or commercial airline service.

This Business Plan outlines the possible steps the City can take to improve revenues by increasing aviation activity, encouraging more corporate aviation use, or developing new revenue producing facilities. The recommendations identify the component parts of the plan, the reasons why it should be undertaken, and the action steps needed to get it done. The sections that follow summarize the recommended Business Plan for LXT:

- Attraction of Corporate Aviation
- Hangar Development
- Continued Improved Terminal Amenities and Services
- Airport Branding
- Aviation Education/Flight School
- Non-Aviation Property Development
- Management and Policy Recommendations
- Recommended Plan Proforma
- Summary and Findings

The Recommended Plan proforma shows the financial impacts of these recommendations on the Airport's bottom line. In addition, there are a number of administrative recommendations regarding the Airport, its enterprise fund designation, and how it functions within the City government.

7.1 ATTRACTION OF CORPORATE AVIATION

THERE ARE THREE PRIMARY COMPONENT PARTS OF the plan to attract more corporate aviation. These include:

- Hangar Development
  - Development Options
  - Need for Utilities and Pad-Ready Sites
- Continued Improved Terminal Amenities and Services
- Airport Branding

These components are each discussed in detail in separate sections below. However, all three are needed to bring more business jet and multi-engine aircraft to LXT. Reasons why the City should pursue this recommendation include the following:

- It has the highest potential to generate revenues of the various strategies considered.
  - In 20 years, this activity has the potential to generate net revenues of $5.1 million or more annually (see **Table 7-3**).
  - Corporate aviation represents a disproportionately higher revenue share for jet-capable general aviation airports than do other sources of revenue, with fuel sales being a large component of these additional revenues.
- It increases the utilization of the Airport and its asset base.
  - The new runway extension and hangar purchase/development will be used to a greater degree, thereby funding even more improvements.
- It provides convenience for business air travelers in the Kansas City metro area.
  - With Kansas City International on the north side and Wheeler near downtown, LXT can better serve the southern and eastern portions of the metro area for business air travelers.

Corporate aviation typically consists of jet and turboprop aircraft. Goals for the program are to attract an additional 50 percent jet aircraft over and above the baseline forecast of jet aircraft demand. This means drawing 21 based jets to LXT instead of the forecast 14 over the planning period. In addition to this, an additional 25 percent increase of turboprop aircraft over and above the baseline forecast would mean drawing 15 turboprop aircraft to LXT instead of the forecast 12 over the planning period.

Jet Fuel sales with additional based jets and turboprop aircraft are anticipated to total 1.9 million gallons over the planning period. This is 1.9 million gallons higher than the baseline projections without this strategy.

Steps needed to implement the attraction of more corporate aviation to LXT include the following:

1. ***Acquire or Develop New Hangar Space:*** As discussed in the next section, the provision of additional hangar space is key to any growth of corporate and small general aviation based aircraft. There are numerous ways of doing this and several of the most successful strategies are outlined below.

2. ***Focus on Service-Oriented Amenities:*** The corporate aviation industry values service and safety as much or more than any other offerings at an airport. With multimillion-dollar aircraft, owners and users can choose which airports will provide the best experience. Excellent service has been a hallmark of successful Fixed Base Operators throughout the nation. Specifics about Service-Oriented Amenities are discussed in a following section.

3. ***Develop and Implement a Branding/Marketing Program:*** One of the most important steps to attracting more corporate aviation is to get the word out to potential customers

in a way that optimizes the appeal of LXT's assets. Components of a full branding and marketing program are presented in a following section.

7.2 HANGAR DEVELOPMENT

AS MENTIONED, THE FOUNDATIONAL STRATEGY FOR ATTRACTING additional based aircraft is to build hangars to accommodate them. This can be accomplished through City-built hangars or privately funded hangars, or a combination of both methods. For the Recommended Plan, the following components of the hangar development strategy can be defined:

- ***Conventional Hangar Space:*** Develop at Least 101,000 square feet of new conventional hangar space by the year 2040 to meet the demand for based corporate aircraft.
  - This assumes the addition of 17 new based jets and 8 new turboprop aircraft over the planning period.
  - The number and size of the hangars will be configured as needed or as developers give proposals.
- ***T-Hangar Space:*** Develop at least 20 new T-Hangars Units to meet single-engine aircraft demand during the same planning period.

Reasons why the City should pursue new hangar development include:

- New hangar space increases the number of based aircraft, overall hangar rents, and fuel sales. It is conservatively estimated that for every based business jet, an additional 25,000 gallons of jet fuel can be sold. For every based turboprop aircraft, it is estimated that an additional 5,000 gallons of jet fuel can be sold.
- A variety of hangar development options are available to the City, which cover almost any monetary scenario (borrowed capital, private investment, public-private-partnership, etc.)
- Development of the East Side will require some hangar construction and utility development to create a critical mass of activity to support aeronautical businesses on that side of the Airport.
- To reach its full potential and to optimize the return on its airport assets, hangar development is one of the best investments available to an airport sponsor.
- Hangar development is necessary to implement the new branding strategy for the Airport, which points toward corporate and business use. Without hangar space, the Airport will fall short of attracting the types of aircraft its airfield is capable of accommodating.
- The Business Plan projects an additional $292,400 in annual lease revenues by the year 2040 if hangars are developed to satisfy proactively induced demand resulting from a new branding program (see **Table 7-3**).

7.2.1 OPTIONS FOR NEW HANGAR DEVELOPMENT

Several options exist for the development of new hangar space. To adequately plan for the future, hangar demand at LXT was estimated to include 20 T-hangar units and 101,000 square feet of conventional hangar space over the next 20 years. Confirmation of this demand would be required in the form of waiting lists and pre-construction deposits for new hangar space. It is anticipated that new based aircraft are likely to result from initiatives of the City, combined with natural growth in aircraft ownership in the Kansas City metro area. For LXT, it is important to note that the availability of utilities on developable land will be vital to any development of hangars that could accommodate corporate aircraft.

The primary methods for hangar development analyzed in this Business Plan include the following:

1. ***City Development of New Hangars***
2. ***Ground Lease with Private Hangar Developer***
3. ***Combination of City and Private Hangar Development***

CITY DEVELOPMENT OF NEW HANGARS

Table 7-1 indicates the approximate cost of developing a 10,000 square foot hangar at the Airport. As shown, the hangar would have to rent for $5.82 per square foot per year. This assumes a financing package of 20 years at 4 percent interest. Currently, rents for conventional hangar space vary on the Airport, ranging from $6.00 per square foot to $9.00 per square foot. This means development of hangars on the Airport would be feasible to finance through borrowing.

Table 7-1 - City Hangar Development Model – 20 Year

Hangar Type	Construction Cost	Annual Debt Service	Debt Coverage
10-Unit T-hangar	$770,000	$56,000	$467/mo./unit
10,000 sf Conv. Hangar	$800,000	$58,200	$5.82/sf/yr.
40,000 sf Conv. "Hangar One"	$3,200,000	$232,700	$5.82/sf/yr.

At LXT, T-hangar rates range from $345 to $650 per month, indicating that the upper range of rents would support the development of new T-hangar units that used debt financing.

The primary consideration is whether or not the City wants to wait 20 years to get its money back, or to speed up the process by charging premium market rates.

Figure 7-1 - Hangar 1 at LXT

PRIVATE DEVELOPMENT OF NEW HANGARS

If the City does not desire to develop new hangars or cannot identify the needed capital for development, private development of all new hangars may be necessary. This type of development occurs at many general aviation airports, partially due to the ability of private developers build at lower costs than government contracting. Without the requirements of prevailing wage laws, use of pre-engineered buildings, etc., private development costs are estimated at 2/3 that of government development costs for the same project. Currently the City has reversion clauses in their land leases so that improvements on the property revert to the City upon expiration of the lease. Once a hangar reverts to City ownership, it is incumbent upon the City to seek rental rates as close to market value as can be negotiated. It is understood that this may be difficult with tenants who have constructed their hangars and now must pay more for them after many years of leases. However, the value of the hangar or other property is that it adjoins the Airport runway system. Thus, its location is functional to its value. Likewise, extending the lease should have some value above prevailing ground lease rates. **Table 7-2** presents the pro forma for private development of new hangars at REI.

Table 7-2 - Private Development of Hangars: 20 Year Proforma

	10 Unit T-Hangar	Conventional Hangar
Hangar Square Feet	10,000 s.f.	10,000 s.f.
Cost of Hangar (2/3 cost of City)	$515,900	$536,000
Term	20 years	20 years
Total Ground Lease @ $0.38/s.f. 3% annual escalation	$204,200	$204,200
Private Developer Profit Margin @ 15%	$108,000	$111,000
Total Cost (hangar + ground lease)	$828,100	$851,200
Private Developer Breakeven	$345/Unit/month	$4.26/s.f./year

This proforma assumes that the lease footprint will be twice the size of the hangar structure. This additional space accommodates parking lots, drainage features, hangar apron, etc. In practice, LXT uses the entire leased parcel at the published rate, which may be more property than simply twice the size of the building footprint. In addition, the proforma does not include operating costs and overhead for the private hangar developer. Thus, our analysis shows the lowest breakeven potential prices for a private developer of roughly $345 per month for T-hangars and $4.26 per square foot per year for conventional hangar space. This compares to the public development breakeven proforma pricing of $470 per month for T-hangars and $5.82 per square foot per year for conventional hangar space.

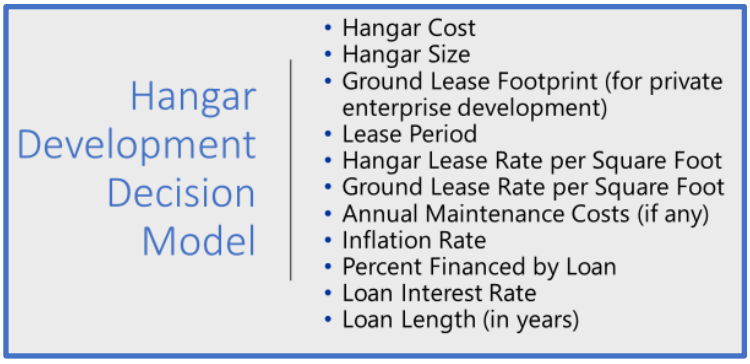


Figure 7-2 – Inputs to Hangar Decision Model

COMBINATION OF CITY AND PRIVATE HANGAR DEVELOPMENT

In all likelihood, the development of hangars at LXT will be a combination of public and private development because there is generally a shortage of capital at municipalities. With all of the public projects needing investment such as roads, sewers, schools, and so forth, it is difficult to find capital that has not already been reserved for a project.

Given the cost of hangar development, combined with the market rate structure, hangar development is feasible for the City. The only question would involve vacancy rates. However, using waiting lists and customer deposits for reserved space, this risk can be minimized.

7.2.2 RECOMMENDED HANGAR DEVELOPMENT STEPS

Given the economics described above, the recommendation of this Business Plan is as follows:

1. ***Prefer City Construction Option:*** The City should construct as many conventional hangars as they are financially capable of doing to accommodate demand.
2. ***Private Enterprise Included:*** Whatever demand is left over to be developed should be given to private enterprise. It should be recognized that their cost differential will price their hangars lower than that of the City, thereby filling them up first.
3. ***Possibly Limit Private Enterprise to T-Hangar Development:*** One option around this issue would be to restrict private enterprise to the development of T-hangars, leaving the corporate conventional hangar development to the City.

Conventional hangar clientele are generally willing to pay more per square foot of hangar space than T-hangar clients. Therefore, the higher prices caused by municipal development of the

conventional hangars can be more readily absorbed. Because T-hangars clients are not willing to pay higher prices, the City can avoid this lower-return investment of their capital by focusing on conventional hangar development. This is an especially important strategy for municipal hangar investment. **Table 7-3** shows the proforma results for the hangar development at an estimated 50 percent split between City and private development.

7.3 CONTINUED IMPROVED TERMINAL AMENITIES AND SERVICES

COMPONENT PARTS OF THE PLAN FOR CONTINUED improved terminal amenities and services are linked to the branding program. That is, new amenities and services should be offered through the lens of the new brand. Excellent brands ensure that every action, every expenditure of money, supports the brand and does not send any counter or confusing signals.

7.3.1 COMPONENTS OF IMPROVED TERMINAL AMENITIES AND SERVICES

This Business Plan recommends the following components for improved terminal amenities and services:

- New Terminal Building: When the East Side terminal area is developed, a new, larger terminal building is needed to accommodate aviation business travelers and the crews of their aircraft. This would include:
  - Crew Suite
  - Executive Lounge
  - Conference Rooms
  - Coffee/Retail Shop
  - Car Rental Facilities
  - Wi-Fi capability on the Ramp
  - Wash Bay for Aircraft
- Aircraft Control Tower: When the activity measures reach the minimum threshold, the City should seek a contract tower.
- Aircraft Repair & Avionics Sales: For full corporate use of LXT, services for business jet repair and maintenance are needed.
- Flight School: This component of improved service offerings will be discussed separately in its own section of the report below.
- U.S. Customs: The possibility of U.S. Customs services is being examined to determine if there is enough demand to support the cost of providing them.
- Other FBO Amenities and Services: Shown below in Figures 7-3 and 7-4 are the amenities and support services offered by the FBO, Signature Flight Support, at Wheeler Downtown. Items on these lists that are not currently available at LXT should be considered for provision, where practical.

7.3.2 REASONS FOR UPGRADING AMENTIES AND SERVICES

Reasons for upgrading the amenities and services include the following:

- Many of these items are included in the branding program for the Airport.
- To attract and keep corporate and high-paying business customers, the continuation of outstanding service is a prerequisite.
- Examination of competing airport services and amenities shows that Wheeler Downtown Airport has amenities for pilot flight planning, showers, office, and lounging. They also feature Signature Flight Services – a national chain of high-end FBOs
  - See Figure 7-3 for Signature Flight Amenities.
  - See Figure 7-4 for Signature Flight Support Services
- Given that Wheeler Downtown has 65 of the 75 based jets in the region, it is apparent their amenity and service model is working. Such a program is worth emulating to the degree possible.

Figure 7-3 – Signature Flight Support Amenities

Table 7-3 presents a proforma of the potential impact of these amenities and services on the bottom line. Because increased demand at LXT will likely be caused by three different programs (hangar development, continued improvement of amenities and services, and branding), the resulting increased revenues could be attributed in thirds to each proactive strategy. All three programs will be needed to increase demand for the baseline forecasts as well as the additional attraction of business aviation above the baseline.

Figure 7-4 – Signature Flight Support Services

7.3.3 RECOMMENDED AMENITY AND SERVICE UPGRADE STEPS

The recommended steps to continued improvement in amenities and services at LXT are simply to follow the current path of management. This would include the following:

- ***Gauge the Market:*** Airport Management should continuously gauge their clients as to preferences concerning amenities and services. This can be through informal discussions with pilots, formal surveys, or Internet research.
- ***Study the Signature Flight Model:*** Although Signature Flight Support is a multi-million dollar enterprise, there are some low-cost amenities and services that they offer which are not available at LXT. These may be added inexpensively, while at the same time having a larger effect on customer service satisfaction.
- ***Prioritize Larger Cost Amenities:*** Each new larger cost amenity or service should be considered in light of its ability to draw the target segment of demand – in this case, corporate aviation – to LXT. This Step is linked to Step 1, where knowledge of the local market is key.
- ***Work with Branding Consultants:*** In rolling out any new amenity or service, the maximum impact on the market should be sought. This would include branding and marketing campaigns around these actions.

This task is one of continuous monitoring and assessing of the market needs. There is no exact set of specifications. While studying successful operations in different states, there is value in seeing what works locally. This means using Wheeler Downtown as a type of model. LXT should not aspire to be an exact replica of Wheeler Downtown. Rather, LXT should use what works and build the amenities and services in a cost-effective manner over time. The adage that Rome was not built in a day applies here. It will take time, patience, and a lot of money to make LXT match its branding goals.

7.4 AIRPORT BRANDING

AN EXCEPTIONAL AIRPORT BRAND IS BUILT UPON excellent airport facilities, amenities and services. As LXT continues to put its best foot forward for every Airport visitor by continuously improving facilities and services, it is essential to begin the process of implementing the various elements and corporate focus of the new brand.

7.4.1 ELEMENTS OF AIRPORT BRANDING

This Business Plan recommends the following elements for introducing a fresh Airport brand:

- Establish a new Airport name:

- Replace "Municipal" with "Regional" or "Executive."
- Strongly consider including "Kansas City" in name.

- Officially register the new Airport name with the Federal Aviation Administration.
- Design a unique Airport logo and establish guidelines for:
  - Specific colors
  - Recommended uses
  - Sizes
  - Logo positioning in various applications
- Construct a standalone "corporate" themed Airport website.
- Contract an Airport branding and marketing firm to:
  - Further refine the marketing plan.
  - Promote the new Airport name and logo.
  - Recommendations for unique logo wardrobe. Signage, and merchandise to promote new brand.
  - Refine a brand specific "Tag Line" that helps position LXT as Corporate Airport of choice in the service area.
  - Implement media outreach.
  - Develop a targeted campaign designed to reach business aircraft owners in the immediate region.
  - Develop strategies to attract new customers.
  - Further develop a comprehensive public relations program.
  - Further develop an Airport press kit.
  - Examine how to enhance existing and to develop new specialized aviation amenities and services.
  - Develop marketing initiatives to increase the use of LXT by aviation clubs, associations, and organizations.
  - Develop materials for promoting aviation and non-aviation land development.
  - Help the City determine how to brand its FBO, perhaps separately from LXT.
- Produce a new Airport video for the website that provides:
  - An introduction to the new Airport name and branding elements.
  - A brief history.
  - Current developments.
  - Vision of the future.
- Develop a targeted social media outreach that incorporates the new Airport brand and presents a professional presence on Facebook, Instagram, Twitter, and other viable platforms.

Figure 7-5 – Sketch Logo Samples

7.4.2 REASONS FOR NEW BRANDING

Reasons for revising the Airport name and brand include the following:

- The attraction and retention of corporate aviation is a key objective to the financial sustainability of LXT.
- It is understood that improved facilities, amenities, and service are linked to the Airport brand.
- The most likely pool of potential new "based" customers - specifically jet aircraft – consists of tenants currently based at other area Airports.
- A review and contrast of the amenities offered by Signature Flight at Wheeler Downtown Airport (home to 65 of the 75 based jets in the region) as highlighted in Figures 7-3 and 7-4 above helps identify potential areas of improvement for LXT and the need for a fresh image for LXT.
- As LXT lingers in its perceived – decades old – identity within the service area, the ability to persuade locally based tenants of other area airports to seriously consider LXT as a viable alternative is diminished without new branding.
- It is essential that LXT establish a new brand that represents positive changes at the Airport and what it is ultimately becoming.

7.4.3 RECOMMENDED BRANDING AND MARKETING STEPS

The recommended steps to establishing and promotion a new brand at LXT include the following:

1. ***Establish a New Airport Name:*** To strengthen the Airport's status within the corporate aviation community, it is essential to replace "Municipal" with "Regional" or "Executive". To enhance the immediate geographical awareness of pilots planning visits to the region, it is further recommended that the City strongly consider including "Kansas City" in Airport name. One suggested example is "Greater Kansas City Regional Airport".
2. ***Officially Register the New Airport Name:*** Due to the time involved (up to a year or more) in making an Airport name change official with the Federal Aviation Administration, it is recommended that this process be initiated as soon as a new Airport name is established to ensure the new name is included in all official records and documentation.
3. ***Secure New Airport Web Address:*** Concurrent with the FAA registration process, the City should also secure the domain name for the new Airport website. Budget permitting, it would be wise to secure multiple domain names to prevent malicious meddling by others. One suggested address is "www.FLYLXT.com".
4. ***Authorize the Design of a Unique Airport Logo:*** The City should contract an Airport branding and marketing firm/professional to design a unique Airport logo, with guidelines for specific colors and recommended uses, sizes, and positioning of the Airport logo to maintain consistency and for maximum brand awareness.
5. ***Construct a Standalone "Corporate" Themed Airport Website:*** The City should authorize the construction of a standalone "Corporate" themed Airport website featuring the new Airport logo and branding, and linked to the City website.
6. ***Develop Marketing Plan:*** The City should use their Airport branding and marketing firm to further refine the marketing plan to focus upon promoting the new Airport name, logo,

and implementing media outreach to attract new customers. Detailed steps for this recommendation are outlined in Section 7.4.1 above.

7. ***Produce a New Airport Video:*** It is recommended that a fresh video be produced that highlights the new Airport brand and mission, along with a brief history, current developments, and vision of the future. This may be hosted on the new Airport website and distributed via social media as a method for attracting visitors to the website.
8. ***Develop a Targeted Social Media Outreach:*** The City should authorize a fresh new targeted social media outreach to introduce the new Airport brand, generate fresh interest in the Airport, and present a professional presence on Facebook, Instagram, Twitter, and other viable platforms.

In its most ideal role, LXT is the "front door" to Lee's Summit and the gateway to the region's business community. The process of branding and marketing the Airport requires constant awareness of putting a "best foot forward" - not just for the Airport, but for the region at large. The first impression of entire area for many business travelers will be what they experience at LXT. In this sense, it is vital the entire Airport staff and City management continue to share and enhance an esprit de corps and positive brand awareness that is presented at all times. This is one reason for moving the main terminal area to the east side – it can upgraded and improved from the current location.

7.5 AVIATION EDUCATION/FLIGHT SCHOOL

THE DEVELOPMENT OF AN AVIATION EDUCATION PROGRAM, flight school, or aircraft mechanics training program at the Airport is a recommendation of the Business Plan. While the flagship program would be for flight training, the Airport would be a suitable location for both aviation education and aircraft mechanics training.

7.5.1 COMPONENTS OF AN AVIATION EDUCATION/FLIGHT SCHOOL

For pilot training, the COVID-19 epidemic has reduced the need for airline pilots in the short term. The assumption for this Business Plan is that commercial aviation demand will be essentially pushed back at least three years, but because the economic fundamentals were not at fault, growth will likely continue as it had in the pre-COVID-19 period. If anything, there is now some "breathing room" to develop a longer-range plan for a flight school.

Component parts of the recommendation include the following:

- Work with Summit Technology Academy, St. Michael the Archangel High School, and the University of Central Missouri to establish an on-Airport aviation education, flight training, or aircraft mechanics program.
- Develop space for classrooms (ground school or mechanics workshops) at the Airport.
- Jump start the flight training program by attracting a flight school to the Airport.

- An existing flight school could manage a university or high school program as a subcontractor.
- A modest university-type program could potentially attract 80 flight students, between 8 and 10 training aircraft, and generate roughly 20,000 annual aircraft operations.

- Tie any increased activity from the program to the need for an Air Traffic Control Tower or remote/virtual Control Tower.

There is currently an Experimental Aircraft Association (EAA) presence at LXT, which includes a Young Eagles group. This group is made up of young people ages 8 – 17, who desire to get involved in aviation. In 2020, the LXT EAA activities since March have been canceled because of COVID-19. However, the EAA program is strong and shows the interest in aviation in the community.

7.5.2 REASONS FOR ATTRACTING AN AVIATION EDUCATION PROGRAM

There are a number of reasons why the City should seek to attract an aviation education program to LXT. These include:

- Increased Aircraft Operational Activity: This factor is important for LXT on at least two fronts.
  - More training activity at LXT will increase fuel sales for AvGas (100 LL). Estimates of an additional 40,000 gallons per year have been made. Margin from the fuel sales will help the Airport's bottom line financially.
  - Additional activity at LXT will help justify an Air Traffic Control Tower. Studies for these Towers require a cost/benefit analysis, along with minimum levels of aircraft operations.
    - An added benefit of an ATCT is that it is often a prerequisite for fractional jet aviation activity. That is, companies like NetJets and Flexjet prefer the safety of controlled airspace (Class D) at an airport.
- An Aviation Education program would serve as an excellent public relations program to the community. Young people often involve their parents and relatives in aviation activities. Good public relations translate into political capital when Airport funding questions arise at City Hall.
- Other Aviation Programs: Even if there is no flight training component, the Airport would be an excellent location for aviation mechanics/technology training and aviation management programs.

7.5.3 RECOMMENDED STEPS FOR AVIATION EDUCATION PROGRAM

The development and interest in an aviation education program at LXT is mostly dependent upon outside organizations. The initiatives that the City can take to encourage the use of LXT for these programs include the following.

1. ***Develop Airport Lab Space:*** As a part of the R-7 School District, the City has the ability to coordinate programs between Summit Technology Academy (STA) and LXT for an Airport Lab space proposal. This would place students at an airport location. The Business Plan assumes that some space on the East Side will be dedicated to the STA or similar program.
2. ***Coordinate with University Program:*** The Missouri Innovation Campus building is shared by STA with the University of Central Missouri. This connection between STA and UCM needs to be explored to determine the potential viability of an on-airport classroom and/or flight training program at LXT.
3. ***Seek Private Flight School:*** If talks were to go well with UCM, the next step would be to seek to attract a private flight school to LXT. This would be discussed as a key step in attracting a satellite flight training program from the University of Central Missouri.
4. ***Attract Other Aviation Programs:*** Although flight training is a priority, the development of other aviation programs at the Airport would be appropriate. STA has an aviation maintenance track, drone pilot track, avionics track, and an aviation management track of studies that would all fit nicely in an airport environment.

If no progress is made with UCM, a similar set of talks could be initiated with the University of Missouri – Kansas City (UMKC) campus. Currently UMKC has an unmanned aircraft flight training program for industrial applications. Discussions with the University representatives could reveal whether or not there is a desire to expand this program into other aviation fields. **Table 7-3** presents the proformas associate with an aviation education program at the Airport. The additional revenues are separated in the Table to show leased space income versus activity measures such as fuel flowage fees.

7.6 NON-AVIATION PROPERTY DEVELOPMENT

NON-AVIATION LAND USE AT LXT DESCRIBES DEVELOPABLE parcels without airfield access. Two properties to be acquired over the planning period include area on the northeast section of the Airport and the property directly south of Hangar One. These properties will be aeronautical use or support and as such are discussed in the Master Plan. For non-aviation property on the Airport, industrial development is considered highly compatible for non-aviation airport property development, partially due to the capability of these entities to absorb the noise impacts from airport activity. In addition, passive solar energy generation is compatible, assuming glare and sun reflection issues are addressed in the design. Commercial/Retail development are also considered compatible development for airport activities, while anything characterized as a residential area is not.

7.6.1 COMPONENTS OF NON-AVIATION PROPERTY DEVELOPMENT

Components of the Recommended Plan for non-aviation property development include the following:

- Identification of Non-Aviation Developable Land at LXT: Two large parcels have been identified for potential non-aviation development.
  - North Side Parcel: This parcel is located along Strother Road and includes roughly 16 acres of property for potential development. Because of terrain slopes, development uses will need to be carefully planned.

  - South Side Parcel: This parcel is potentially accessible from NE Town Center Boulevard. It contains approximately 30 acres and it also has some terrain sloping, but not to the degree as the North Side Parcel.

- Development Options: There are two primary options for developing the non-aviation property:
  - The traditional route would be to engage a commercial real estate broker and advertise with on-site signage and Internet placements on the City's webpage and Airport website.

- The second general option is for the City to retain a developer, who would then prepare and develop the property as a turnkey project.

7.6.2 REASONS FOR DEVELOPING NON-AVIATION PROPERTY

In total, there are about 46 acres of developable land on airport property. There are a number of reasons for developing this property at LXT, including:

- Property that does not have access to the airfield and would otherwise be unproductive can be used to produce non-aviation revenue.
- As an Enterprise Fund, the Airport needs to be as financially self-sufficient as possible.
- FAA grant assurances also require the Airport to charge fees and become as financially self-sufficient as possible.
- With compatible development, non-aviation property can serve as a buffer to residential properties near the Airport.
- There are non-aviation land uses that actually support airports, including restaurants, car rental locations, hotels, etc.

While the absorption rate of commercial office space may be slow because of COVID-19, other types of commercial development, including light industrial and retail may not be impacted as greatly. **Table 7-3** presents an estimate of the revenues that can be gained through development of non-aviation property. It is estimated that over the planning period, 25 percent of the available land will be developed. On a cumulative basis, this revenue enhancement strategy would add roughly $5.2 million to the Airport's bottom line over the 20-year planning timeframe.

RECOMMENDED DEVELOPMENT OPTIONS

There are two primary options for development of non-aviation property: commercial real estate and solar energy. These are not mutually exclusive. That is, both types of development can occur at LXT.

- Commercial Real Estate: The commercial real estate market is comprised of several sectors: office market, industrial market, retail, and multi-family housing market (condominiums, rental properties). For LXT, non-aviation property development should focus on the industrial and retail market. Residential multi-family developments are not compatible with the Airport land use, and office market real estate has suffered a glut in the region and nationally due to work at home orders surrounding the COVID-19 pandemic.
  - The retail market has the higher rents than industrial, ranging between $8 and $17 per square foot per year, depending on location, size, and condition. Average cost is about $13 per square foot[1].

[1] Source: Newmark Grubb Zimmer, "1 Q 2020 Kansas City Industrial Market Report."

- The industrial market has a much lower cost per square foot as these buildings require large spaces for materials storage and handling. Lease rates in the area for industrial and warehousing space run in the range of $4-$10 per square foot per year, depending on location, size, and type of use. Average cost is about $7 per square foot[2].
- Ground lease rates are often tied to the market rental rates for the type of property. Thus, higher land lease rates can be gained from retail leases than from industrial leases.
- However, large retail sites must have road frontage and good highway access. That would eliminate most of the property in the south side parcel from retail development.

- Solar Energy Production: The second type of revenue producing non-aviation land development at LXT involves the production of solar energy. As described in the following section, the development of a solar farm with sales of electricity to the local power grid are not profitable. Thus, the development of solar energy could be used to offset the retail price of electricity used on the Airport, which costs about $60,000 per year.

7.6.3 NON-AVIATION LAND USE – SOLAR ENERGY

The strategy for potential development of solar energy at LXT must explained in somewhat greater detail because of the various cost issues. In this regard, Missouri has more than 200 sunny days per year, for an average of 4.5 to 5.0-kilowatt hour (kWh) per square meter per day, according to the U.S. Department of Energy's National Renewable Energy Laboratory's (NREL) solar maps.

Effective August 28, 2018 per Senate Bill 564 (2018), RSMO 393.1670 mandated that electrical corporations make solar rebates available for new or expanded solar electric systems, limited to up to twenty-five kilowatts (25 kW) per system for residential customers and up to one hundred fifty kilowatts (150 kW) per system for nonresidential customers. The available rebates include a twenty-five cent per watt ($0.25/W) rebate for systems that become operational after June 30, 2019, through December 31, 2023.

Missouri is one of only a few states to have a carve-out for solar written into its Renewable Portfolio Standard (RPS), and it is the only state to have passed such legislation by an overwhelming voter margin. By 2021, investor-owned utilities will be getting 15 percent of their power from renewable resources, with two percent coming from solar. With a modest estimate for growth between 2009 and 2021, the annual solar energy requirement in 2021 will reach just under 170 GWh, or approximately 130 MW of solar capacity.

Consultant discussions with the manager of alternative energy sources at Evergy (the merged company of Kansas City Power & Light and Westar Energy in 2018) representatives indicated a somewhat bleak future for solar photo-voltaic (PV) energy feasibility. First, almost all electricity sold is produced by the company itself, as it is integrated vertically and owns all of its generating facilities. Currently, Evergy generates 37 percent of its electricity from renewable sources – mainly

[2] Ibid

wind turbines. This is more than twice the 15 percent mandate. The solar PV systems cannot compete with the cost or efficiency of wind, particularly in the Missouri/Kansas region.

Evergy will pay 2-cents per kilowatt hour for energy bought from solar sources. For 1 gigawatt hour per year, approximately 2.8 acres of solar farm is needed. This translates into about $7,150 per acre per year in revenues. A 150-kilowatt system for non-residential construction would be eligible for a $0.25 per watt rebate. Thus, the maximum rebate is $37,500 on such a system. When compared to the cost of roughly $500,000 per acre to develop, it can be shown that the system cannot pay for itself, even with the rebates. With a no-interest loan, it would take more than 65 years to pay off the principal.

Options for Solar Farm Development

There are two options for solar farm development on non-aviation property at LXT. These include:

- ***Construction Grant:*** One option for feasible development of a solar panel farm is to have the construction paid by a grant of some sort. Then, a 10-acre array could generate about $71,500 per year. Of course, energy companies are highly regulated and, in the future, they may be required to pay more for wholesale electricity from renewable sources entering their grid.
- ***System to Offset LXT Electric Use:*** An alternative approach is to develop a solar electric panel farm for City use in offsetting electric costs at LXT. In 2019, electric costs for the City at the Airport were almost $60,000. Using that as the retail price of electricity, any offset generated on the Airport would be compensated at full retail price rather than the 2 cents per kilowatt hour. Currently, the average cost of residential power in Lee's Summit is 10.61 cents per kilowatt hour.[3] At LXT, examinations of utility bills show a variety of rates paid on the Airport – averaging about 19 cents per kilowatt hour. However, for this analysis to be conservative, an average of the high and low rates was used to get 14.82 cents per kilowatt hour.

Discussions with Evergy indicated that the full retail rate would be reduced, if the power generated by the system were connected behind the meter. In other words, the reduced power consumption would be the means of reducing the utility cost, rather than getting rebates from the power company.

For $60,000 at 14.82 cents per kilowatt hour, a total of 405,000 kilowatt hours would be consumed. Translating this into acres of solar panels yields about 1.2 acres. At $500,000 per acre it would cost roughly $600,000 to develop a solar farm to cover the annual electricity needs for the City at the Airport. At these rates, it would take about 10 years to pay off the costs of construction, assuming a no-interest loan. This is much more feasible than the development of a solar farm to feed the electric grid. Because the solar panels last up to 20 years, the City should consider development of at least 1.2 acres of PV energy.

[3] Source: Electricity Local Website: https://www.electricitylocal.com/states/missouri/lees-summit/, accessed 10/19/2020.

7.6.4 RECOMMENDED STEPS FOR NON-AVIATION PROPERTY DEVELOPMENT

The Recommended Plan for developing non-aviation property at LXT includes the following steps:

1. ***ALP Update:*** Identify non-aviation property for development on the Airport Layout Plan. With a consultant, layout the property in accessible parcels.
2. ***Land Release:*** Initiate the land release process with FAA. The release does not have to be for property sale, but rather, to lease for a non-aviation use.
3. ***Solicit RFI:*** Solicit Request For Information/Interest (RFI) on developing a small solar PV system of 1-2 acres on non-aviation property. Cost information is important, along with system set up information needed to reduce electricity costs on the Airport.
4. ***Advertise Property:*** Use in-house staff or commercial real estate broker to advertise non-aviation Airport property. Seek to lease property for the long term, if possible.
5. ***Sale Option:*** If property sale is the only way to move the parcels, examine the return on assets as compared to a long-term lease.

Given that the Airport produces leases which are priced at $0.51 cents per square foot for a non-aviation ground lease, the sale of property for non-aviation use should be no less than $225,000 per acre (assuming 10 percent cap rate) and as high as $370,000 per acre (assuming a 6 percent cap rate).

7.7 MANAGEMENT AND POLICY RECOMMENDATIONS

MANAGEMENT AND POLICY ACTIONS MAY HAVE NO immediate financial return, but instead, address the practical issues of operating LXT. Recommendations deal with the Airport accounting structure, Airport management structure, staffing, lease policy, control of land surrounding the Airport, retention of existing business/corporate clientele, public outreach, and educational partnering.

1. ***Airport Accounting Structure:*** LXT is currently set up as an enterprise fund for the City. As mentioned, most enterprise funds are self-supporting, but not all are. Examination of the Recommended Plan proforma in **Table 7-3** shows a long-term revenue surplus will be generated at the Airport. This points to financial self-sufficiency for operational costs. There may be some large capital costs that require subsidy from the City, however, that should not be a reason to change the accounting structure.

   There is a fee charged by the City for its overhead costs (G&A) associated with Airport operations. These costs include staff assistance for legal, planning, finance, and other administrative functions. In the past, the G&A fee has been forgiven by the City to allow the Airport to put more money back into facility development.

For the future, the City will cease the G&A forgiveness, and the resulting effects on Airport revenues and expenses are included in this analysis. The City has estimated that the current annual utilization of resources to be $115,000. Although the fee is subject to change throughout the planning period based on resource allocation by the City, this analysis will estimate future charges to remain at a flat rate of $115,000 per year.

The end result of our analysis is that the Airport should remain an enterprise fund. The benefit of financial flexibility is needed because of the different nature of airport finances versus other more stable City departments. As a revenue-producing enterprise, the Airport presents many options for investment, rate structuring, and public-private partnerships. At the same time, it must adjust to the competitive market forces and economic factors that are in play regionally.

2. ***Airport Management Structure:*** Evaluation of the existing management structure and corresponding oversite from the Airport Authority indicated that there is no need to change the City's organization for the Airport.

3. ***Airport Staffing:*** Over the planning timeframe, City will need to increase Airport staffing as aviation activity levels continue to rise. This will include more line personnel for aircraft fueling, a second concierge person for premium corporate aviation services, and at least two more facility maintenance people for additional facilities and snow removal.

   Examination of the forecast of fuel sales indicates the need for an additional four line personnel over the period. In addition, three other maintenance and service personnel are needed, along with two additional administrative assistants to help with invoicing and collections. In total, nine (9) additional FTE staff personnel (above the existing 10 FTEs) are anticipated to be needed over the 20-year period.

   Of the nine additional FTE staff, 2.5 are in response to the additional activity from the implementation of this Business Plan. In this regard, to accommodate the increase in corporate aviation use, another concierge and 1.5 FTE line staff are included in the overall estimate for the planning period.

   To ensure that all employees at the City's FBO were rewarded for their service, attitudes, and accomplishments, it is recommended that a program of incentives be created at the Airport that would include consideration of total fuel sales margin (a measure of the City FBO's success), number of aircraft handled, written commendations from corporate clients of the Airport, and so on. These incentives would adhere to City policies and seek to mirror private industry. The goal is to attract and keep the best employees at the Airport.

4. ***Lease Policy:*** It is recommended that a comprehensive lease policy for the Airport be developed in the future. The lease policy should address a number of topics including: ground leases, hangar reversions, renewals, lease terms, FBO provisions, and other issues. The lease policy should not constrain business activity at the Airport. Rather, it should be

designed to enhance business activity and protect the Airport from disputes and any FAA grant assurance investigations.

5. ***Control of Land Surrounding Airport:*** LXT is located near residential development. To the north is Lakewood subdivision and to the south are residential subdivisions closer to the center of Lee's Summit. To the east is Jackson County's Lake Jacomo and its surrounding parkland, while to the west, there is rural residential and farmland (also in Jackson County). While land already developed for residential uses could be considered grandfathered as a land use, undeveloped property near the Airport should be either preserved as a noise buffer or controlled through easements. It is important to note that the City is currently engaged in a strategic planning process, and that there has been some coordination between the Aviation consultant with the City planning consultant to ensure that the City's comprehensive plan include Airport growth and development as a priority.

   Some municipalities with airports do not restrict residential developments, but instead create easements that make it impossible to complain about the airport noise or its operation. For example, language from the City of Redlands, CA covering such an easement includes the following:

   > *"Grantor, for itself, its heirs, administrators, executors, successors and assigns, does hereby waive, and release any right or cause of action which it may now have or which it may have in the future against Grantee, its successors and assigns, due to such noise, sound or shock waves, vibrations, odors, fumes, dust, fuel particles, smoke, light, thermal waves, air quality changes and other results in said airspace that may be caused or may have been caused by the operation of aircraft of all types now known or hereafter designed and used for navigation of, or flight in, the air, by reason of any use ancillary or incidental to the operation of the Dominant Tenement and by reason of any operational incidental effects thereof including such as may occur in and from take-off, land and approach patterns into and from the Dominant Tenement. This waiver and release includes, but shall not be limited to, claims, known or unknown, for damages for physical or emotional injuries, discomfort, inconvenience, property damage, death, interference with use and enjoyment of property, diminution of property values, nuisance or inverse condemnation, or for injunctive or other extraordinary or equitable relief. Grantor, for itself, its heirs, administrators, executors, successors and assigns, agrees that Grantee shall have no duty to avoid or mitigate such damages by, without limitation, setting aside or condemning buffer lands, rerouting air traffic, erecting sound or other barriers, establishing curfews, noise or by enacting other regulations. Grantor acknowledges and agrees that this waiver applies to all claims for injuries, damages or losses to Grantor's person and property, real or personal, (whether those injuries, damages, or losses are known or unknown, foreseen or unforeseen, or patent or latent) that Grantor may have against Grantee."*

   The Grantor is the property owner and the Grantee is the City. The above paragraph covers almost all contingencies. The philosophy of such an agreement is that a buyer or developer knows what they are getting into when they buy or develop property near an airport. As such, they are not entitled to any compensation for grievances, even if conditions worsen from when they bought or developed their property. Sometimes, this is preferable to strict zoning for some cities because it does not limit the tax base, but at the same time, eliminates all of the usual public conflicts between residential and airport land uses.

Other traditional options to prevent future incompatible land uses from being developed around the Airport include:

- Zoning for land use compatibility, particularly off runway ends.
- Restriction of noise-sensitive land uses adjacent to the Airport.
- Building permit processes that could be used to control future non-compatible land uses and/or Airport hazards that may be proposed.

Because LXT is located very near the western city limit boundary, any land use controls would have to be coordinated with Kansas City (KCMO). Unlike the state of Texas, Missouri cities do not have inherent extraterritorial jurisdiction of unincorporated county lands. Instead, if a city in Missouri desires to impose zoning on extraterritorial property, it must first annex that property into the city. This is not likely at Lee's Summit. Therefore, any zoning outside the City limits must be coordinated with and enacted by KCMO. In 2020, these talks were initiated and are currently ongoing.

6. ***Retention of Existing Business Clientele:*** Airport Management is already doing a good job and has taken steps to ensure client retention by spending time servicing the needs of these tenants. Airport Management should continue to engage existing Airport users (clients and tenants) to solicit feedback on local economic and service issues.

7. ***Internal Airport Branding Actions:*** There are a number of actions, internal to the City, that can be initiated for Airport branding. These actions cost little or nothing and can be accomplished prior to hiring a branding firm or marketing consultant. Most of these actions require a decision from the City including:

   - ***New Airport Name:*** The City needs to decide on a new name for the Airport that incorporates the desired upgraded brand. Suggestions for these have been provided in this Business Plan and include: Lee's Summit Regional or Executive Airport, Kansas City Regional or Executive Airport, Greater Kansas City Regional Airport, and Heart of America Air Center.
   - ***Implement Upgrades in Conformance with New Brand:*** Prior to the rollout of a new brand, the City should ensure that there are no glaring contradictions either with facilities or services, relative to the new brand. The most successful branding upgrade occur when the actual facilities and service match the new hype.
   - ***Airport Social Media:*** The City should ensure that the Airport's social media platform is upgraded in conformity to the new brand. There should a mechanism to regularly change the content, thereby attracting continuous check-ins and new views.

   The City should also consider a tagline for the Airport. A tagline for the new Airport name should add something that is not already inherent in the name. Given that the Airport is intended to serve a number of different aviation components (small general aviation, flight training, aviation education, corporate aviation, etc.) and that the future desire is to expand

that reach, a fitting tagline could read: "*We do it all!*" or "*Kansas City's best GA alternative!*" or "*Growing with you!*", or "*We mean business!*" etc.

7.8 IMPACT ON REVENUES AND EXPENSES

THE REVENUE ENHANCEMENT STRATEGIES RECOMMENDED FOR LXT represent growth opportunities, and as such, will impact baseline projections of revenues and expenses. For this process, a number of assumptions for each strategy were made, along with the resulting impact on net revenues. **Table 7-3** presents an optimistic forecast of how these enhancement strategies could impact the revenue and expense picture for the Airport, if the assumptions for each scenario are met. The estimates in the projection of revenues and expenses are based on the following assumptions over the planning period:

Attraction of Corporate Aviation:

- Additional 7 based jets above the Master Plan forecast.
  - Each additional jet consumes 25,000 gallons of jet fuel per year.
- Additional 3 based turboprop aircraft above the Master Plan forecast.
  - Each additional turboprop consumes 5,000 gallons of jet fuel per year.

Corporate Aviation Hangar Development:

- An average 5,000 square feet conventional hangar space requirement for each based jet.
- An average 2,000 square feet conventional hangar space requirement for each based turboprop aircraft.
- Conventional hangar development includes a coinciding office space requirement of 10 percent total conventional hangar space.
- Conventional hangar capital development costs (when developed by City) at $80 per square foot.
- Recognizing the scarcity of capital, 50 percent of conventional hangars developed by City; 50 percent constructed by private developers.

Additional Staffing

- Additional Airport Expense: 2.5 FTE staffing requirement to accommodate additional corporate aviation demand.

Aviation Education/Flight School:

- Additional 8 based single engine aircraft.
  - Each additional flight school single engine aircraft consumes 5,000 gallons of 100LL AvGas per year.
  - Flight training will generate roughly 20,000 annual aircraft operations when the school is fully operational.
- City development of a 10,000 sq. ft. conventional hangar for flight school aircraft storage and maintenance.

Non-Aviation Property Development

- Total of 46 acres available for development.
- To be conservative, 25 percent of total available acres to be developed over the planning period.
- Lease Rate of $0.51 per square foot.
- Solar Farm Development:
  - $600,000 capital investment
  - 1.2 Acres of Solar Panels
  - $60,000 per year revenue equivalent (offset electric expense)

Table 7-3 - Forecast of Operating Revenues and Expenses

Operating Revenues:	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Fuel Sales	$1,330,731	$1,300,108	$1,348,472	$1,398,635	$1,450,664	$1,504,629	$1,560,601	$1,618,656	$1,678,870	$1,741,324	$1,806,101
Additional Fuel Sales	$0	$0	$0	$230,185	$317,567	$381,285	$525,921	$539,069	$722,878	$740,950	$759,474
Lease Revenues	$871,663	$983,438	$1,004,090	$1,025,176	$1,046,705	$1,068,686	$1,091,128	$1,114,042	$1,137,437	$1,161,323	$1,185,710
Additional Hangar Revenues	$0	$0	$0	$90,909	$92,819	$94,768	$114,676	$117,084	$145,693	$148,752	$151,876
Additional Ground Lease Revenues	$0	$0	$0	$3,800	$3,879	$3,961	$6,933	$7,078	$11,443	$11,683	$11,928
Additional Non-Aviation Property Development	$0	$0	$74,017	$88,623	$103,836	$119,675	$136,160	$153,311	$171,149	$189,695	$208,971
Miscellaneous	$32,964	$31,309	$31,966	$32,638	$33,323	$34,023	$34,737	$35,467	$36,212	$36,972	$37,749
Total Operating Revenues	**$2,235,358**	**$2,314,855**	**$2,458,546**	**$2,869,966**	**$3,048,793**	**$3,207,026**	**$3,470,156**	**$3,584,707**	**$3,903,681**	**$4,030,700**	**$4,161,810**
Operating Expenses:	**FY 2020**	**FY 2021**	**FY 2022**	**FY 2023**	**FY 2024**	**FY 2025**	**FY 2026**	**FY 2027**	**FY 2028**	**FY 2029**	**FY 2030**
Additional Debt Service Interest	$0	$0	$23,636	$66,076	$63,737	$61,304	$67,696	$67,470	$77,330	$73,588	$69,693
Personnel Expenses	$630,395	$673,093	$687,228	$701,660	$716,395	$731,439	$746,799	$762,482	$778,494	$794,843	$811,534
Additional Fuel Expense	$0	$0	$0	$141,180	$207,296	$255,246	$333,528	$341,866	$441,062	$452,088	$463,391
Fuel Expenses	$723,467	$656,012	$680,416	$705,727	$731,980	$759,210	$787,452	$816,746	$847,129	$878,642	$911,327
Additional Personnel Expense	$0	$0	$0	$31,930	$32,600	$33,285	$33,984	$34,698	$106,279	$108,511	$110,790
Insurance	$30,455	$47,864	$48,870	$49,896	$50,944	$52,014	$53,106	$54,221	$55,360	$56,522	$57,709
Advertising	$10,327	$16,693	$17,044	$17,214	$17,386	$17,560	$17,736	$17,913	$18,092	$18,273	$18,456
Materials & Supplies	$147,869	$142,057	$145,040	$148,086	$151,195	$154,371	$157,612	$160,922	$164,302	$167,752	$171,275
Maintenance & Repairs	$106,469	$117,332	$119,796	$122,312	$124,880	$127,503	$130,180	$132,914	$135,705	$138,555	$141,465
Phone & Utilities	$80,061	$55,780	$56,951	$58,147	$59,368	$60,615	$61,888	$63,188	$64,515	$65,870	$67,253
Professional Expenses	$36,317	$73,284	$74,823	$76,394	$77,999	$79,636	$81,309	$83,016	$84,760	$86,540	$88,357
Miscellaneous	$195,614	$200,500	$204,711	$209,009	$213,399	$217,880	$222,455	$227,127	$231,897	$236,767	$241,739
G&A Fee	$115,000	$115,000	$115,000	$115,000	$115,000	$115,000	$115,000	$115,000	$115,000	$115,000	$115,000
Total Operating Expenses	**$2,075,974**	**$2,097,615**	**$2,173,514**	**$2,442,632**	**$2,562,180**	**$2,665,062**	**$2,808,746**	**$2,877,563**	**$3,119,924**	**$3,192,950**	**$3,267,988**
Net Operating Revenues	**$159,384**	**$217,240**	**$285,032**	**$427,334**	**$486,613**	**$541,964**	**$661,411**	**$707,144**	**$783,757**	**$837,750**	**$893,822**
Additional Debt Service Principle	$0	$0	$19,995	$57,399	$59,738	$62,172	$72,255	$75,199	$89,281	$92,918	$96,704

Table 7-3 - Forecast of Operating Revenues and Expenses

Operating Revenues:	FY 2031	FY 2032	FY 2033	FY 2034	FY 2035	FY 2036	FY 2037	FY 2038	FY 2039	FY 2040
Fuel Sales	$1,873,288	$1,942,974	$2,015,253	$2,090,220	$2,167,976	$2,248,625	$2,332,274	$2,419,035	$2,509,023	$2,602,358
Additional Fuel Sales	$931,319	$954,602	$978,467	$1,200,463	$1,230,474	$1,434,181	$1,470,035	$1,506,786	$1,730,699	$1,773,966
Lease Revenues	$1,210,610	$1,236,033	$1,261,990	$1,288,492	$1,315,550	$1,343,177	$1,371,383	$1,400,182	$1,429,586	$1,459,607
Additional Hangar Revenues	$174,946	$178,620	$182,371	$215,823	$220,356	$247,040	$252,228	$257,525	$286,409	$292,424
Additional Ground Lease Revenues	$15,384	$15,707	$16,037	$21,149	$21,593	$25,603	$26,140	$26,689	$31,034	$31,686
Additional Non-Aviation Property Development	$229,000	$249,803	$271,406	$293,833	$317,109	$341,258	$366,309	$392,288	$419,223	$447,142
Miscellaneous	$38,541	$39,351	$40,177	$41,021	$41,882	$42,762	$43,660	$44,577	$45,513	$46,468
Total Operating Revenues	**$4,473,088**	**$4,617,090**	**$4,765,701**	**$5,151,001**	**$5,314,940**	**$5,682,646**	**$5,862,030**	**$6,047,082**	**$6,451,486**	**$6,653,653**
Operating Expenses:	**FY 2031**	**FY 2032**	**FY 2033**	**FY 2034**	**FY 2035**	**FY 2036**	**FY 2037**	**FY 2038**	**FY 2039**	**FY 2040**
Additional Debt Service Interest	$75,541	$70,981	$66,235	$76,051	$70,402	$75,510	$69,012	$62,250	$66,906	$59,179
Personnel Expenses	$828,577	$845,977	$863,742	$881,881	$900,400	$919,309	$938,614	$958,325	$978,450	$998,997
Additional Fuel Expense	$556,325	$570,233	$584,489	$704,226	$721,832	$831,917	$852,715	$874,033	$995,000	$1,019,875
Fuel Expenses	$945,229	$980,391	$1,016,862	$1,054,689	$1,093,923	$1,134,617	$1,176,825	$1,220,603	$1,266,009	$1,313,105
Additional Personnel Expense	$113,116	$115,492	$117,917	$200,656	$204,870	$209,172	$213,564	$218,049	$222,628	$227,303
Materials & Supplies	$58,921	$60,158	$61,422	$62,712	$64,029	$65,373	$66,746	$68,148	$69,579	$71,040
Advertising	$18,640	$18,827	$19,015	$19,205	$19,397	$19,591	$19,787	$19,985	$20,185	$20,387
Insurance	$174,872	$178,544	$182,293	$186,121	$190,030	$194,021	$198,095	$202,255	$206,502	$210,839
Maintenance & Repairs	$144,436	$147,469	$150,566	$153,727	$156,956	$160,252	$163,617	$167,053	$170,561	$174,143
Phone & Utilities	$68,665	$70,107	$71,579	$73,082	$74,617	$76,184	$77,784	$79,417	$81,085	$82,788
Professional Expenses	$90,212	$92,107	$94,041	$96,016	$98,032	$100,091	$102,193	$104,339	$106,530	$108,767
Miscellaneous	$246,815	$251,998	$257,290	$262,693	$268,210	$273,842	$279,593	$285,464	$291,459	$297,580
	$115,000	$115,000	$115,000	$115,000	$115,000	$115,000	$115,000	$115,000	$115,000	$115,000
Total Operating Expenses	**$3,436,349**	**$3,517,284**	**$3,600,451**	**$3,886,060**	**$3,977,698**	**$4,174,879**	**$4,273,546**	**$4,374,922**	**$4,589,895**	**$4,699,003**
Net Operating Revenues	**$1,036,739**	**$1,099,806**	**$1,165,250**	**$1,264,941**	**$1,337,242**	**$1,507,767**	**$1,588,484**	**$1,672,160**	**$1,861,591**	**$1,954,649**
Additional Debt Service Principle	$109,020	$113,462	$118,085	$135,377	$140,893	$155,927	$162,280	$168,891	$185,664	$193,228

7.8.1 IMPLICATIONS OF FINANCIAL RESULTS

Using the financial production results shown above, implications about revenue strategies can be drawn. **Figures 7-6** and **7-7** show the cumulative impacts of each major revenue enhancement strategy. As shown, there is a rank order of magnitude for cumulative returns over the 20-year planning period:

- Attraction of Corporate Aviation - $5.15 million
- Non-Aviation Property Development - $3.43 million
- Flight School - $2.16 million
- Solar Farm - $868,300

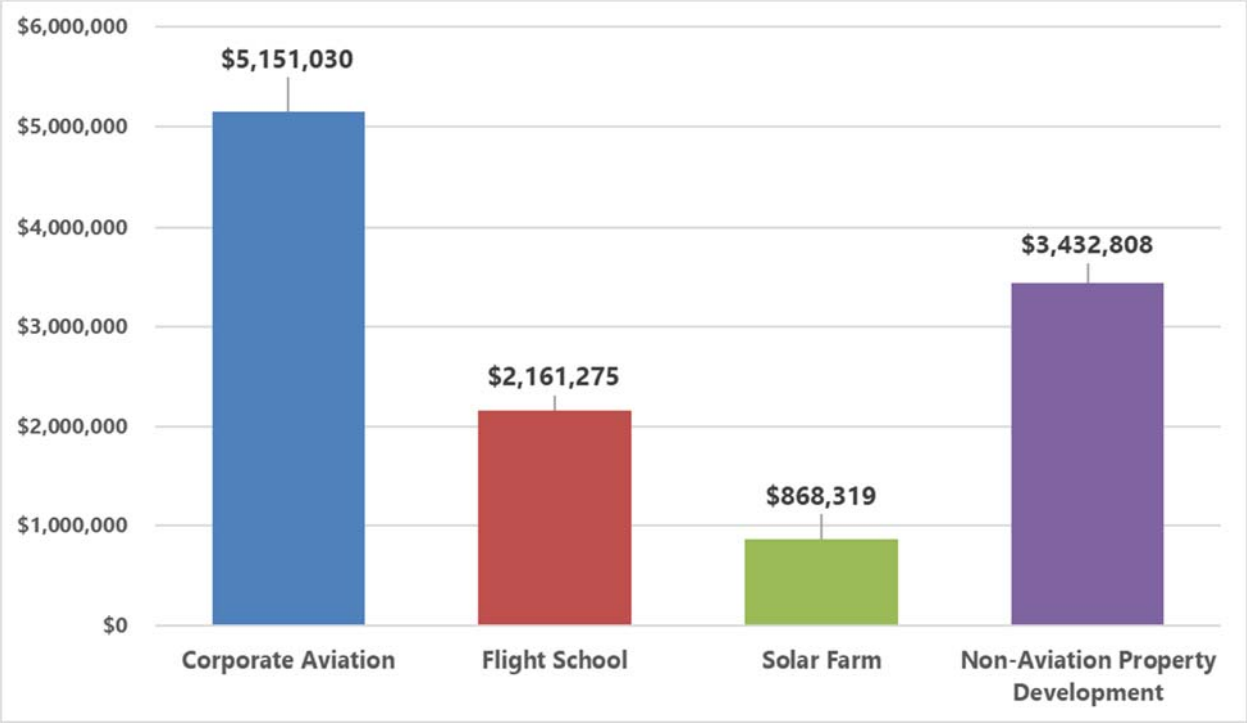


Figure 7-6 – Cumulative Revenue Production by Strategy

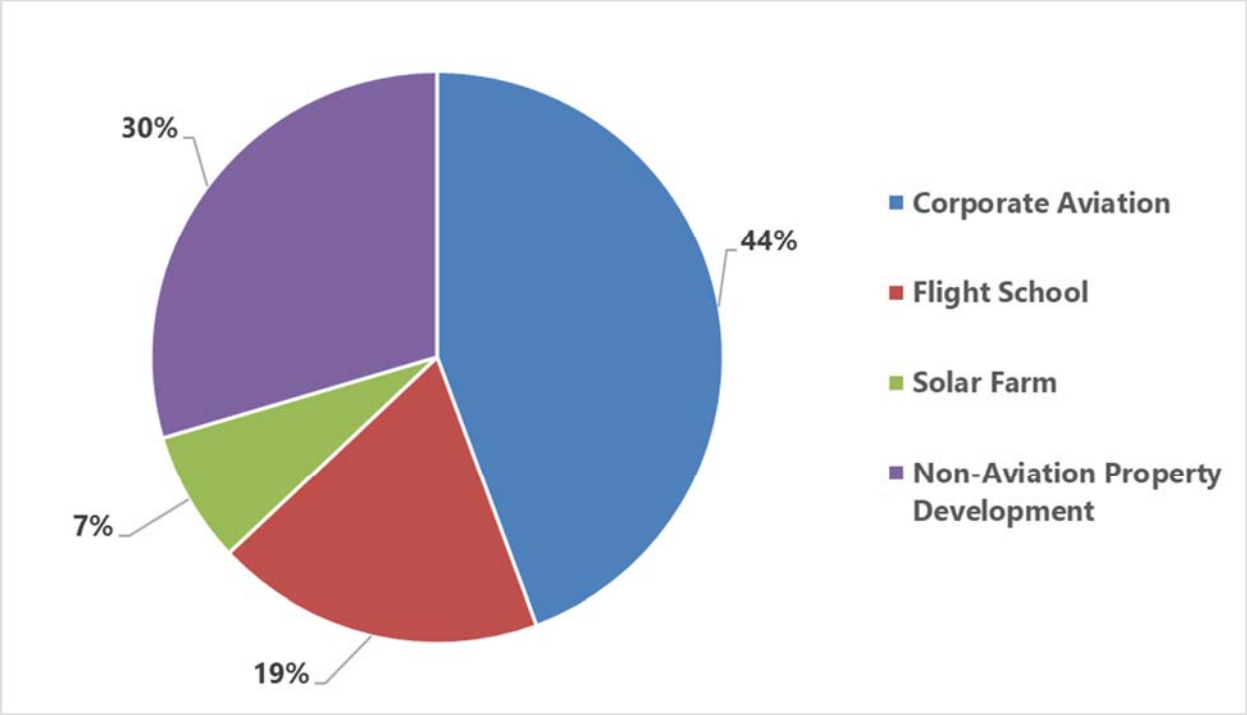


Figure 7-7 – Percentage of Incremental Revenue Totals by Strategy

The Attraction of Corporate Aviation strategy incorporates Hangar Development, Improved Terminal Amenities, and Branding. And although Non-Aviation Property Development includes the Solar Farm, it is sufficiently different that the two were separated to show revenue potentials. It should be noted that these totals represent only the additional revenues attributable to the Business Plan initiatives, which are above and beyond the Baseline forecasts of revenues and expenses.

7.9 SUMMARY OF RECOMMENDATIONS

A NUMBER OF RECOMMENDATIONS AND ACTION STEPS have been made for each revenue enhancement strategy. These recommended actions are summarized in this section. Under the heading of Attraction of Corporate Aviation, there are three supporting sets of recommended actions.

Attraction of Corporate Aviation – Hangar Development

1. ***Prefer City Construction Option:*** The City should construct as many conventional hangars as they are financially capable of doing to accommodate demand. This will require utility service to the East Side of the Airport in the near term.
2. ***Private Enterprise Included:*** Whatever demand is left over to be developed should be given to private enterprise. It should be recognized that their cost differential will price their hangars lower than that of the City, thereby filling them up first.

3. ***Possibly Limit Private Enterprise to T-Hangar Development:*** One option around this issue would be to restrict private enterprise to the development of T-hangars, leaving the corporate conventional hangar development to the City.

Attraction of Corporate Aviation – Continued Improved Terminal Amenities and Services

- ***Gauge the Market:*** Airport Management should continuously gauge their clients as to preferences concerning amenities and services. This can be through informal discussions with pilots, formal surveys, or Internet research.
- ***Study the Signature Flight Model:*** Although Signature Flight Support is a multi-million dollar enterprise, there are some low-cost amenities and services that they offer which are not available at LXT. These may be added inexpensively, while at the same time having a larger effect on customer service satisfaction.
- ***Prioritize Larger Cost Amenities:*** Each new larger cost amenity or service should be considered in light of its ability to draw the target segment of demand – in this case, corporate aviation – to LXT. This Step is linked to Step 1, where knowledge of the local market is key.
- ***Work with Branding Consultants:*** In rolling out any new amenity or service, the maximum impact on the market should be sought. This would include branding and marketing campaigns around these actions.

Attraction of Corporate Aviation – Airport Branding

1. ***Establish a New Airport Name:*** To strengthen the Airport's status within the corporate aviation community, it is essential to replace "Municipal" with "Regional" or "Executive". To enhance the immediate geographical awareness of pilots planning visits to the region, it is further recommended that the City strongly consider including "Kansas City" in Airport name. One suggested example is "Greater Kansas City Regional Airport".
2. ***Officially Register the New Airport Name:*** Due to the time involved (up to a year or more) in making an Airport name change official with the Federal Aviation Administration, it is recommended that this process be initiated as soon as a new Airport name is established to ensure the new name is included in all official records and documentation.
3. ***Secure New Airport Web Address:*** Concurrent with the FAA registration process, the City should also secure the domain name for the new Airport website. Budget permitting, it would be wise to secure multiple domain names to prevent malicious meddling by others. One suggested address is "www.FLYLXT.com".
4. ***Authorize the Design of a Unique Airport Logo:*** The City should contract an Airport branding and marketing firm/professional to design a unique Airport logo, with guidelines for specific colors and recommended uses, sizes, and positioning of the Airport logo to maintain consistency and for maximum brand awareness.
5. ***Construct a Standalone "Corporate" Themed Airport Website:*** The City should authorize the construction of a standalone "Corporate" themed Airport website featuring the new Airport logo and branding, and linked to the City website.
6. ***Develop Marketing Plan:*** The City should use their Airport branding and marketing firm to further refine the marketing plan to focus upon promoting the new Airport name, logo,

and implementing media outreach to attract new customers. Detailed steps for this recommendation are outlined in Section 7.4.1 above.

7. ***Produce a New Airport Video:*** It is recommended that a fresh video be produced that highlights the new Airport brand and mission, along with a brief history, current developments, and vision of the future. This may be hosted on the new Airport website and distributed via social media as a method for attracting visitors to the website.
8. ***Develop a Targeted Social Media Outreach:*** The City should authorize a fresh new targeted social media outreach to introduce the new Airport brand, generate fresh interest in the Airport, and present a professional presence on Facebook, Instagram, Twitter, and other viable platforms.

Aviation Education/Flight School

1. ***Develop Airport Lab Space:*** As a part of the R-7 School District, the City has the ability to coordinate programs between Summit Technology Academy (STA) and LXT for an Airport Lab space proposal. This would place students at an airport location. The Business Plan assumes that some space on the East Side will be dedicated to the STA or similar program.
2. ***Coordinate with University Program:*** The Missouri Innovation Campus building is shared by STA with the University of Central Missouri. This connection between STA and UCM needs to be explored to determine the potential viability of an on-airport classroom and/or flight training program at LXT.
3. ***Seek Private Flight School:*** If talks were to go well with UCM, the next step would be to seek to attract a private flight school to LXT. This would be discussed as a key step in attracting a satellite flight training program from the University of Central Missouri.
4. ***Attract Other Aviation Programs:*** Although flight training is a priority, the development of other aviation programs at the Airport would be appropriate. STA has an aviation maintenance track, drone pilot track, avionics track, and an aviation management track of studies that would all fit nicely in an airport environment.

Non-Aviation Property Development

1. ***ALP Update:*** Identify non-aviation property for development on the Airport Layout Plan. With a consultant, layout the property in accessible parcels.
2. ***Land Release:*** Initiate the land release process with FAA. The release does not have to be for property sale, but rather, to lease for a non-aviation use.
3. ***Solicit RFI:*** Solicit Request For Information/Interest (RFI) on developing a small solar PV system of 1-2 acres on non-aviation property. Cost information is important, along with system set up information needed to reduce electricity costs on the Airport.
4. ***Advertise Property:*** Use in-house staff or commercial real estate broker to advertise non-aviation Airport property. Seek to lease property for the long term, if possible.
5. ***Sale Option:*** If property sale is the only way to move the parcels, examine the return on assets as compared to a long-term lease.

The Management and Policy Recommendations have been given in Section 7.7 above. Briefly, these included guidance for:

- ***Airport Accounting Structure:*** For a variety of reasons, the City should keep the existing Enterprise Fund structure.
- ***Airport Management Structure:*** No changes recommended.
- ***Airport Staffing:*** Up to 9 additional FTE are anticipated over the planning period. Of these 2.5 FTE would be needed as a result of the implementation of this Business Plan.
- ***Lease Policy:*** A comprehensive lease policy is recommended for future development.
- Control of Land Surrounding the Airport: Restrictive easements for land developers are recommended. Other potential strategies to protect the Airport include:
  - Zoning for land use compatibility, particularly off runway ends.
  - Restriction of noise-sensitive land uses adjacent to the Airport.
  - Building permit processes that could be used to control future non-compatible land uses and/or Airport hazards that may be proposed.
- ***Retention of Existing Business Clientele:*** Airport Management is already doing a good job and has taken steps to ensure client retention by spending time servicing the needs of these tenants.
- ***Internal Airport Branding Actions:*** These actions can be taken by the City, independent of a consultant branding firm:
  - ***New Airport Name:*** The City needs to decide on a new name for the Airport that incorporates the desired upgraded brand. Suggestions for these have been provided in this Business Plan and include: Lee's Summit Regional or Executive Airport, Kansas City Regional or Executive Airport, Greater Kansas City Regional Airport, and Heart of America Air Center.
  - ***Implement Upgrades in Conformance with New Brand:*** Prior to the rollout of a new brand, the City should ensure that there are no glaring contradictions either with facilities or services, relative to the new brand. The most successful branding upgrade occur when the actual facilities and service match the new hype.
  - ***Airport Social Media:*** The City should ensure that the Airport's social media platform is upgraded in conformity to the new brand. There should a mechanism to regularly change the content, thereby attracting continuous check-ins and new views.

APPENDIX A: LEASE ANALYSIS

A.1 INTRODUCTION

A BRIEF ANALYSIS OF LEASE AGREEMENTS BETWEEN Lee's Summit Municipal Airport and their corresponding airport tenants was conducted. Included within this analysis are a number of lease strategies, best practices, and general areas of advice to ensure compliance with FAA grant assurances and to provide LXT with a checklist of issues that need to be addressed within specific lease agreements. Overall, the leases were found to be agreeable in most areas, with the exception of a few minor issues identified in the checklist.

Because disputes often arise where ambiguity persists in lease language, leases should be standardized to lower the deviation from lease to lease. It is important to note that this analysis was not performed by an attorney and should ***not*** be used in place of legal advice. Before modifications to any existing leases from Lee's Summit Municipal Airport are pursued, these recommendations should be reviewed with and by the Airport sponsor's legal counsel. This analysis is organized as follows:

- Inventory of Sample Lease Agreements
- Lease Structure Modifications
- Analysis of Lease Elements
- Strategies for Correcting Lease Issues

A.2 INVENTORY OF SAMPLE LEASE AGREEMENTS

THIS ANALYSIS IS BASED ON FOUR SAMPLE leases provided, each representing a different airport-use case. The leases examined cover scenarios involving ramp tie downs, hangar leasing, office space, and airport ground leases. While each sample lease focuses on a specific range of issues, there are standard clauses relevant to most aviation leases, and are relevant for FAA grant assurances. For this analysis, a checklist was utilized to verify the use of important sections in each lease. This checklist does not evaluate the specific conditions of each lease section, but only verifies that it has been used in the lease.

Sample Lease: **Land Lease Agreement**
Lease Type: Ground Lease Business Type: Hangar Development Lease Length: 29 Pages Premises: Airport Property

Sample Lease: **Land Lease Agreement**					
Lease Element Checklist					
Lease Term	√	Lease Rent	√	Escalation Clause	√
Use of Premises	√	Taxes and Fees	√	Damage to Facilities	√
Operation & Maintenance	√	Liens	√	Insurance Obligations	√
Construction of Improvements	√	Defaults	√	Environmental	√
Reversion Clause	√	Assignments and Subletting	√	Living Clauses	√
Lessor Rights, Reservations, and Obligations	√	Regulatory Compliance	√	Force Majeure	X
Lessee Rights, Reservations, and Obligations	√	Hold Harmless Provision	√	Holdover	√
Security Requirements	√	Nondiscrimination	√	Term Extension Options	√
Checklist Score: 23/24					

Sample Lease: **Community Hangar Lease Agreement**					
Lease Type: Aviation, Commercial Business Type: Community Hangar Rental Lease Length: 8 Pages Premises: Square Footage within Hangar					
Lease Element Checklist					
Lease Term	√	Lease Rent	√	Damage to Facilities	√
Use of Premises	√	Taxes and Fees	X	Insurance Obligations	√
Operation & Maintenance	√	Liens	√	Environmental	√
Construction of Improvements	√	Defaults	√	Living Clauses	√
Lessor Rights, Reservations, and Obligations	√	Assignments and Subletting	√	Force Majeure	X
Lessee Rights, Reservations, and Obligations	√	Regulatory Compliance	√	Nondiscrimination	X
Security Requirements	X	Hold Harmless Provision	√		
Checklist Score: 16/20					

Sample Lease: **Office Space Lease Agreement**					
Lease Type: Non-Aviation, Commercial Business Type: Office Space Lease Length: 8 Pages Premises: Square Footage within Building					
Lease Element Checklist					
Lease Term	√	Lease Rent	√	Damage to Facilities	√
Use of Premises	√	Taxes and Fees	X	Insurance Obligations	√
Operation & Maintenance	√	Liens	√	Environmental	√
Construction of Improvements	√	Defaults	√	Living Clauses	√
Lessor Rights, Reservations, and Obligations	√	Assignments and Subletting	√	Force Majeure	X
Lessee Rights, Reservations, and Obligations	√	Regulatory Compliance	√	Nondiscrimination	X
Security Requirements	X	Hold Harmless Provision	√		
Checklist Score: 16/20					

Sample Lease: **Ramp Tie-Down Lease Agreement**					
Lease Type: Aviation, Commercial Business Type: Tie-Down Rental Lease Length: 7 Pages Premises: Square Footage on Ramp					
Lease Element Checklist					
Lease Term	√	Lease Rent	√	Damage to Facilities	√
Use of Premises	√	Taxes and Fees	X	Insurance Obligations	√
Operation & Maintenance	√	Liens	√	Environmental	√
Construction of Improvements	√	Defaults	√	Living Clauses	√
Lessor Rights, Reservations, and Obligations	√	Assignments and Subletting	√	Force Majeure	X
Lessee Rights, Reservations, and Obligations	√	Regulatory Compliance	√	Nondiscrimination	X
Security Requirements	X	Hold Harmless Provision	√		
Checklist Score: 16/20					

As shown, the leases at Lee's Summit Municipal Airport cover a variety of leasehold scenarios and adequately address most lease-related issues. In each lease, the issues identified in red were found to be either deficient or left unaddressed in the examined lease. These issues can be addressed in future lease negotiations.

A.3 LEASE STRUCTURE MODIFICATIONS

A NUMBER OF LEASE ISSUES HAVE BEEN identified with the sample leases at Lee's Summit Municipal Airport that should be addressed in the future. It is important to note that during lease negotiations a tenant could make additions to these policies to protect their own interests. Such additions should be left up to the discretion of the Airport sponsor, keeping in mind that no lease can give a single tenant an advantage over its on-airport competition, and that exclusive rights are a violation of federal grant assurances. Some of these issues cannot be corrected until the current lease expires. Others may be subject to correction strategies and incentives offered by the Airport in the near term. The following areas of each sample lease should be added/corrected:

- ***Taxes & Fees:*** As a public entity, the Airport is exempt from property taxes. Depending on the political and economic climate, the taxes required for commercial entities operating on publicly owned land is subject to change. Therefore, it is important that the lease stipulate that all taxes and fees subject to Airport property be passed through to the tenant.
- ***Security Requirements:*** At a minimum, the lease should reference controlling all entry points of the Airport that provides access to the operations area on the leased premises in order to prevent unauthorized access of persons and vehicles. All security measures must comply with any regulations stipulated by the TSA and Homeland Security.
- ***Force Majeure:*** This clause frees both the Airport and tenant from liability or obligation when an extraordinary event or circumstance beyond the control of the parties, such as a war, strike, riot, crime, or an act of God.
- ***Nondiscrimination:*** Leases should include language that prohibits discrimination on the grounds of race, color, or national origin, etc.

A.4 STRATEGIES FOR CORRECTING LEASE ISSUES

THE LEASE STRUCTURE CHANGES OUTLINED IN THIS document can be easily implemented into new lease agreements. For the current lease agreements that do not adhere to the practices outlined in this document, there are limited options to change. To adjust the terms in current leases, the Airport can utilize one of the following methods:

- ***Renegotiation of Lease Terms:*** This could be initiated by either the tenant or the Airport, seeking to add an amendment to the current lease. If the Airport is initiating the

renegotiation, an incentive will need to be offered to the tenant in exchange for adhering to the new lease policy. That incentive may be a lease extension that is not already included in the current lease.

- ***Upon Assignment or Subletting of Current Lease:*** A tenant cannot assign or sublet the lease terms without the express approval of the Airport. A scenario involving a negotiation for an assignment of a lease agreement, the Airport would have the opportunity to update the lease terms to the new Airport lease policy.
- ***Default of Current Lease:*** If a tenant does not adhere to the obligations of their specific leasehold agreement, either through non-payment of rent or violations of the Airport's Rules and Regulations, the Airport can institute the standard leasing policy for future agreements.
- ***Expiration of Current Lease Term:*** When the term of any lease expires, and the tenant is unable to utilize an extension option, that particular lease can be discarded if it does not conform to the new leasing policy of the Airport. Several of the sample leases examined only extend out to the end of each month, so altering the lease in this manner would be the most viable option for those leases.

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Sample Lease: **Land Lease Agreement**					
Lease Element Checklist					
Lease Term	√	Lease Rent	√	Escalation Clause	√
Use of Premises	√	Taxes and Fees	√	Damage to Facilities	√
Operation & Maintenance	√	Liens	√	Insurance Obligations	√
Construction of Improvements	√	Defaults	√	Environmental	√
Reversion Clause	√	Assignments and Subletting	√	Living Clauses	√
Lessor Rights, Reservations, and Obligations	√	Regulatory Compliance	√	Force Majeure	X
Lessee Rights, Reservations, and Obligations	√	Hold Harmless Provision	√	Holdover	√
Security Requirements	√	Nondiscrimination	√	Term Extension Options	√
Checklist Score: 23/24					

Sample Lease: **Community Hangar Lease Agreement**					
Lease Type: Aviation, Commercial Business Type: Community Hangar Rental Lease Length: 8 Pages Premises: Square Footage within Hangar					
Lease Element Checklist					
Lease Term	√	Lease Rent	√	Damage to Facilities	√
Use of Premises	√	Taxes and Fees	X	Insurance Obligations	√
Operation & Maintenance	√	Liens	√	Environmental	√
Construction of Improvements	√	Defaults	√	Living Clauses	√
Lessor Rights, Reservations, and Obligations	√	Assignments and Subletting	√	Force Majeure	X
Lessee Rights, Reservations, and Obligations	√	Regulatory Compliance	√	Nondiscrimination	X
Security Requirements	X	Hold Harmless Provision	√		
Checklist Score: 16/20					

Sample Lease: **Office Space Lease Agreement**					
Lease Type: Non-Aviation, Commercial Business Type: Office Space Lease Length: 8 Pages Premises: Square Footage within Building					
Lease Element Checklist					
Lease Term	√	Lease Rent	√	Damage to Facilities	√
Use of Premises	√	Taxes and Fees	X	Insurance Obligations	√
Operation & Maintenance	√	Liens	√	Environmental	√
Construction of Improvements	√	Defaults	√	Living Clauses	√
Lessor Rights, Reservations, and Obligations	√	Assignments and Subletting	√	Force Majeure	X
Lessee Rights, Reservations, and Obligations	√	Regulatory Compliance	√	Nondiscrimination	X
Security Requirements	X	Hold Harmless Provision	√		
Checklist Score: 16/20					

Sample Lease: **Ramp Tie-Down Lease Agreement**					
Lease Type: Aviation, Commercial Business Type: Tie-Down Rental Lease Length: 7 Pages Premises: Square Footage on Ramp					
Lease Element Checklist					
Lease Term	√	Lease Rent	√	Damage to Facilities	√
Use of Premises	√	Taxes and Fees	X	Insurance Obligations	√
Operation & Maintenance	√	Liens	√	Environmental	√
Construction of Improvements	√	Defaults	√	Living Clauses	√
Lessor Rights, Reservations, and Obligations	√	Assignments and Subletting	√	Force Majeure	X
Lessee Rights, Reservations, and Obligations	√	Regulatory Compliance	√	Nondiscrimination	X
Security Requirements	X	Hold Harmless Provision	√		
Checklist Score: 16/20					

As shown, the leases at Lee's Summit Municipal Airport cover a variety of leasehold scenarios and adequately address most lease-related issues. In each lease, the issues identified in red were found to be either deficient or left unaddressed in the examined lease. These issues can be addressed in future lease negotiations.

A.3 LEASE STRUCTURE MODIFICATIONS

A NUMBER OF LEASE ISSUES HAVE BEEN identified with the sample leases at Lee's Summit Municipal Airport that should be addressed in the future. It is important to note that during lease negotiations a tenant could make additions to these policies to protect their own interests. Such additions should be left up to the discretion of the Airport sponsor, keeping in mind that no lease can give a single tenant an advantage over its on-airport competition, and that exclusive rights are a violation of federal grant assurances. Some of these issues cannot be corrected until the current lease expires. Others may be subject to correction strategies and incentives offered by the Airport in the near term. The following areas of each sample lease should be added/corrected:

- ***Taxes & Fees:*** As a public entity, the Airport is exempt from property taxes. Depending on the political and economic climate, the taxes required for commercial entities operating on publicly owned land is subject to change. Therefore, it is important that the lease stipulate that all taxes and fees subject to Airport property be passed through to the tenant.
- ***Security Requirements:*** At a minimum, the lease should reference controlling all entry points of the Airport that provides access to the operations area on the leased premises in order to prevent unauthorized access of persons and vehicles. All security measures must comply with any regulations stipulated by the TSA and Homeland Security.
- ***Force Majeure:*** This clause frees both the Airport and tenant from liability or obligation when an extraordinary event or circumstance beyond the control of the parties, such as a war, strike, riot, crime, or an act of God.
- ***Nondiscrimination:*** Leases should include language that prohibits discrimination on the grounds of race, color, or national origin, etc.

A.4 STRATEGIES FOR CORRECTING LEASE ISSUES

THE LEASE STRUCTURE CHANGES OUTLINED IN THIS document can be easily implemented into new lease agreements. For the current lease agreements that do not adhere to the practices outlined in this document, there are limited options to change. To adjust the terms in current leases, the Airport can utilize one of the following methods:

- ***Renegotiation of Lease Terms:*** This could be initiated by either the tenant or the Airport, seeking to add an amendment to the current lease. If the Airport is initiating the

renegotiation, an incentive will need to be offered to the tenant in exchange for adhering to the new lease policy. That incentive may be a lease extension that is not already included in the current lease.

- ***Upon Assignment or Subletting of Current Lease:*** A tenant cannot assign or sublet the lease terms without the express approval of the Airport. A scenario involving a negotiation for an assignment of a lease agreement, the Airport would have the opportunity to update the lease terms to the new Airport lease policy.
- ***Default of Current Lease:*** If a tenant does not adhere to the obligations of their specific leasehold agreement, either through non-payment of rent or violations of the Airport's Rules and Regulations, the Airport can institute the standard leasing policy for future agreements.
- ***Expiration of Current Lease Term:*** When the term of any lease expires, and the tenant is unable to utilize an extension option, that particular lease can be discarded if it does not conform to the new leasing policy of the Airport. Several of the sample leases examined only extend out to the end of each month, so altering the lease in this manner would be the most viable option for those leases.

Appendix B

Rates & Charges

APPENDIX B: RATES & CHARGES

B.1 INTRODUCTION[1]

AIRPORT LEASE AGREEMENTS INCLUDE RENTALS AND FEES for the use of airport property, equipment, facilities, services, and buildings. Airport sponsors must establish rates and charges that help offset the cost of operating the airport facility. There are no set guidelines or standards on what individual airports should charge tenants. A municipal airport in and of itself is not necessarily a commercial entity, but rather, a publicly funded facility. Therefore, rates should be established to reflect the cost of providing the facility, maintaining and administrating the facility, recovering capital expenditures, and any other costs associated with the airport operation.

A common method of establishing airport rates and charges is by researching what other neighboring airports are charging for like services and facilities. Typically, the surveyed airports should be as comparable as possible. For this reason, services and prices for corporate aviation were sought from Wheeler Downtown (MKC), from FBO - Signature Flight, New Century AirCenter (IXD) from FBO - Advanced Jet Center, and Midwest National Air Center (GPH) from FBO - Quick Turn Flight Support. These are the only general aviation airports in the service area with based jets.

The difficulty in using this approach is that the outcome may not accurately reflect the actual costs of providing the facilities or services. Another approach, referred to as the compensatory approach, is based on cost recovery for actual costs of facilities and services. There are many versions of the compensatory approach developed primarily for air carrier airport applications. For the purposes of this analysis, the compensatory approach essentially means cost recovery for actual airport facilities and services.

In most cases airport sponsors will use a mix of both market-based pricing and cost-recovery pricing in determining rates and charges. The way that fees are determined also depends largely on the structure of airport leases. Short-term agreements allow management the ability to adjust rates more frequently as required. Long-term contracts and airport lease agreements may not allow for these types of adjustments, but they do provide a measure of stability moving into the future. It is common to establish rate escalators in longer-term lease arrangements. The FAA recommends that all leases with a term exceeding five years provide for periodic review of the rates and charges for the purpose of adjustments to reflect the then-current values. This process also establishes parity of rates between new operators coming on to the airport and long-term tenants (FAA Order 5190.6A, Airport Compliance Requirements).

[1] Source for this Section: ACRP Report 16, *Guidebook for Managing Small Airports* (Airport Cooperative Research Program, Transportation Research Board, and Federal Aviation Administration, 2009, p. 18).

Commercial users, hangar renters, FBOs, or agricultural land leases all may require varying approaches to establishing rates depending on the activity. A general aviation airport may also establish rates for terminal charges, airfield charges, and buildings and grounds charges.

Terminal charges might involve such things as use of conference facilities, concessions, gift shops, car rentals, or office space. Airfield charges include fuel flowage fees or landing and ramp fees. Fuel flowage fees, often established at general aviation airports, are collected on gallons of aviation fuel dispensed. This fee is often collected from private commercial operators as part of the lease agreement. Other fees or grounds charges may be established for use of airport buildings and grounds for a variety of uses, such as the construction of private hangars or special events.

B.2 EXISTING RATE METHODOLOGY

THE EXISTING RATIONALE AND RATE SETTING METHODS for LXT are described in the following sections. This information was provided by LXT Staff as of November 2020. Each pricing component is examined separately.

B.2.1 EXISTING AIRCRAFT STORAGE RATE METHODOLOGY

T-HANGARS

To ensure that rates at LXT reflect market values, Airport staff performed a market study of hangar rental rates based on rental rates of other similar hangar rates in the metropolitan area and the current debt service for each of the hangars. A rate per square foot for each of the hangars was established. Since that time, a CPI-U index escalator (to account for inflation) has been applied to the current rental rates each year. Hangar rental rates of other airports in the metropolitan area are compared each year as part of the budget process. Airports used for comparison are Wheeler Downtown (MKC), Johnson County (OJC), Midwest National Air Center (GPH), and New Century AirCenter (IXD), as these airports are municipally operated and have comparable type hangars. Of the competition, only MKC applies an annual CPI increase. MKC implements their increases on January 1st while LXT implements their increases on at the start of the fiscal year on July 1st. The Johnson County Airport system has a large industrial complex at IXD that provides revenue capabilities beyond the capabilities of just the airport landside operations and as such, have not needed to adjust their rates on a regular basis.

HANGAR 1

As the newest addition to the conventional hangar inventory for the City, Hangar 1 features its own rate structure. Currently hangar rental rates in Hangar 1 are $550.00 per month for single engine aircraft while larger aircraft pay $0.525 per square foot based on the footprint of the aircraft. Each year, as part of the development of the City budget, a new rates and fee structure is

examined for the Airport. With Hangar 1 being the only large box hangar the Airport has for lease space, and the demand being higher than the availability, proposed changes included not only a square footage rate, but also a required monthly fuel purchase. If no fuel is purchased, then a rate of $0.20 per square foot would apply. This rate, as well as the base rent are subject to CPI adjustments each year. **Table B-1**, presented later, shows the rates for a five-year period.

In addition to a 2.2 percent increase on hangar rental rates, most fees for services at the Airport will be increasing for FY20. These increases will help cover new and upcoming operational cost and maintain the current level of services and professional staff as well as plans for additional capital purchases in the future.

B.2.2 FUEL FEES

FUEL PRICING METHODOLOGY

Fuel pricing is based on City Ordinance No. 8718 that authorizes Airport Management to approving a change in the markup on both Jet-A & 100LL Avgas and discount structure that would enable the Airport to remain competitive with surrounding airports with runways that are 5,501 ft. or longer.

Key Issues:

- The Airport operates as an enterprise fund and is expected to cover operational expenses through hangar rental, fuel sales, and ground lease.
- The mark-up on Jet-A and 100LL are reviewed annually to ensure that the Airport mark-up is competitive in the marketplace and enough to cover operating cost.
- The current mark-up rate places the Airport's retail price on Jet-A an average of $1.25/gallon lower than Airports in the area operating at least a 5,501' runway.
- Due to the recent implementation of the Compensation Plan, the Airport's overhead cost will increase by approximately $72,000 annually during FY20.

Background:

The Airport operates as an enterprise fund and is expected to cover operational expenses through hangar rental, fuel sales, and ground leases. Annually, the Airport reviews the fuel mark-up rates and fees for services to ensure that the Airport remains both competitive in the marketplace and generates enough revenue to cover operational expenses. Due to the recent implementation of the Compensation Plan, the Airport's overhead cost increased by approximately $72,000 annually during FY20.

The current mark-up rate places the Airport's retail price on Jet-A an average of $1.25/gallon lower than Airports in the area operating at least a 5,501' runway. The last change to the Jet-A mark-up was implemented in 2014 as part of the Revenue Enhancement Program which increased the

mark-up on Jet-A from $1.50/gal to $2.00/gal. Additionally, it increased the mark up on 100LL, and implemented the minimum fuel purchase program.

FUEL PRICING STRATEGY

Within the LXT service area, the Airport has the ability to increase the fuel prices and fees for services to within +5 percent to -10 percent of the retail price of other Airports with at least a 5,501' runway and offering similar services. Because the Airport would be providing comparable prices to other Airports, an increase to the price on Jet-A and 100LL is not likely to affect sales negatively. Maintaining an increase of $0.65-$0.95/gal on top of the current markup of transient, Jet-A fuel, would place the Airport 5-10 percent below other nearby Airports offering at least a 5,501' runway. A $0.65/gal increase would generate approximately $38,000 additional revenue from Jet-A alone. Additionally, an increase of $0.65/gal on 100LL for transient customers would generate an additional $15,000 annually.

To keep prices within a +5 percent to -10 percent window of other Airports, frequent adjustments to the mark-up rates will need to be made due to fluctuating wholesale fuel prices and changes the local aviation fuel market. As an enterprise fund, it is important that the Airport be run like a business and be able to reflect the current market conditions. This can be difficult, as the market constantly changing. With parameters set by the city, Airport Staff should have the ability to react quickly and make modifications to the fuel prices on the Airport.

Self-Service 100LL Avgas Mark-up

The self-service 100LL fuel pricing is based on three components: the base price, markup considerations, and then potential discounts. All discounts are considered after markups are considered to ensure the Airport doesn't lose money on any fuel sale. The retail price for self-service 100LL transient and based customers has traditionally consisted of a $0.18/gal and $0.36/gal discount off the retail price, respectively. Because the full-service price will be increasing more than $0.65/gal, the recommendation of this analysis is to maintain self-service fuel near its current prices. This will enable the airport to provide a less expensive alternative to full-service and continue to attract and retain customers. Currently, this this pricing strategy is used at other Airports in the Greater Kansas City Area. Therefore, the Airports self-service price needs to be based on a cost plus markup. The Airport has proposed a slight increase in self-service mark up as follows:

	Current Markup	Proposed
• Self-Service Based	$0.64	$0.79
• Self-Service Transient	$0.84	$0.97

Full-Service 100LL Avgas

The retail price for full-service Avgas is higher than that of self-service fuel because of the Staff labor involved. However, the proposed markup is based on the local market rates minus 25 cents per gallon.

	Current Markup	Proposed
• Full-Service Based	$0.82	Local Rates minus $0.25/gal
• Full-Service Transient	$1.05	Local Rates minus $0.25/gal

100 LL Discounts

In January 2018, City Council approved the updated schedule of discounts offered to customers. Below are the proposed discounts the Airport should offer. Monthly volume discounts for Avgas customers are as follows:

Gallons/Mo.	Discount
• 250-349	$0.25/gal
• 350-449	$0.55/gal
• Greater than 450	$0.60/gal

Jet-A

The markup for Jet-A is significantly higher than for Avgas. The reasoning is that aircraft owners who require jet fuel will pay higher prices because they are such a small part of operating costs. The existing and proposed markups are shown as follows:

	Current Markup	Proposed
• Full-Service Based	$1.86	Local Rates minus $0.25/gal
• Full-Service Transient	$2.07	Local Rates minus $0.25/gal
• Contract Fuel - Based	$1.50	$1.65

Jet-A Discounts

Like Avgas, there are volume discounts for large purchases and for high monthly volumes for transient jet fuel purchasers. Contract fuel is fuel sold via previous agreements. In general, most airlines have these agreements, as do large general aviation operators. Contract fuel programs offer lower than retail fuel pricing to the operator, as well as value back to the participating member FBO or ground handler, through marketing and services communicated to an expanded member customer base that participates in such programs. These pricing structures are vital to maintain competitiveness within the service area. At LXT these discounted rates include the following:

Transient Single Transactions

Gallons	Discount	Contract Fuel Discount
• 1-299	$0.00/gal	$0.05/gal
• 300-499	$0.10/gal	$0.15/gal
• Greater than 500	$0.50/gal	$0.55/gal

Transient Monthly Volume

Gallons	Discount	Contract Fuel Discount
• 2001-2999	$0.55/gal	$0.60/gal
• 3000-4999	$0.60/gal	$0.65/gal
• 4500-8999	$0.70/gal	$0.75/gal
• Greater than 9000	$0.75/gal	$0.80/gal

B.2.3 SERVICE FEES

Service fee rates are reviewed annually as part of the Airport's operation budget. This requires that service fees be in accordance with the State Hancock Law. The law states that a local government entity may not levy any "tax, license, or fee" that was not already in existence at the time the Hancock Amendment was adopted, nor may it increase the levy of a tax beyond the level that was in effect at the time that the Hancock Amendment was adopted unless approved by the voters. In 1991, the Courts adopted the "Keller Test" to determine whether a charge is subject to the public vote requirement. In short, the Airport can adjust fuel prices and service fees without having to have a public vote.

Service fees usually involve the use of equipment such as aircraft tugs, engine preheaters, lavatory carts, etc. but also includes items such as after hour fees. Fees are structured based on the annual operational cost of the equipment and employee cost. Comparisons with other aviation service providers are also made to assure that LXT is within the market ranges. Expectations must be made for labor rates, and type of equipment being used.

In the last five years, the City of Lee's Summit implemented a salary rate adjustment Citywide. As a result, hourly salaries for many Airport staff that provide services to the aviation public increased $6.00 an hour. In turn, it was necessary to increase most service fees to cover the increased cost in labor for each of the services provided.

B.2.4 GROUND LEASE RATES

There is a method for setting ground lease rates at LXT. The current rates for aviation and non-aviation ground leases are $0.38 and $0.51 per square foot per year, respectively. The aviation base rate was derived by taking 10 percent of the purchase price of the ground, in addition to the cost of access, drainage, and fire lines supporting the area, divided by the number of square feet of developable area. Thus, this lease rate is cost-based.

Each year, a CPI cost escalator of about $0.01 per square foot is added to the leases. Each of the ground leases include a CPI increase, which keeps the older lease rates comparable to newer leases.

The non-aviation ground lease rate of $0.51 per square foot is comparable with other non-aviation ground leases in the local area. It is an economic rent based on demand.

When considering these lease rates for aviation and non-aviation property, it should be noted that they are usually a fraction of the value of the lease improvements (hangars and non-aviation buildings).

B.3 COMPARATIVE RATES AND CHARGES

TABLE B-1 PRESENTS A COMPARISON OF RATES and charges at the four general aviation airports in the service area. These costs consider aircraft storage space, fuel prices, special services for corporate aviation, and ground lease space (for hangar development).

Table B-1 – Rates and Charges Comparisons

Rate Item	Lee's Summit (LXT)	New Century (IXD)	Midwest National Air Center (GPH)	Wheeler Downtown (MKC)
Aircraft Storage				
Monthly Tie-Down	$62	$75	$55	N/A
Monthly T-Hangars	$345-$650	$310-$401	$290-$345	$368-$474
Conventional Hangar Space	$6.30-$8.70/sf/yr.	$8.16/sf/yr.	N/A	$1,660-$1,778/mo.
Fuel Prices/Gallon*				
100 LL Self Service	$3.63	$4.50	$3.29	$3.34
100 LL Full Service	$4.48	$4.85	$3.79	$5.90
Jet A Full Service	$4.78	$3.30	$2.99	$5.39
Ground Services	City of Lee's Summit	(Advanced Jet Center)	(Quick Turn Flight Support)	(Signature Flight Support)
Lavatory Service	$65	$60	N/A	$65
Ground Power Unit	$75	$30/hr.	$45	$55
Oxygen	N/A	$40	N/A	$140
Air Conditioner Service- 2 hour Maximum	$85	N/A	N/A	N/A
Water Services	N/A	N/A	N/A	$55
Preheats	$45-$55	N/A	N/A	N/A
Overnight Plug-in	$15	N/A	N/A	N/A
De-icing	$175 initial fee $5/gal markup	N/A	N/A	$24/gal
Ground Lease ($/sf/yr.)	$0.38/sf, $0.51 non-aviation	$0.28/sf, $0.18 non-aviation	$0.23/sf	$0.2419/sf

* As of December 8, 2020.

The following sections examine each rate item.

B.3.1 AIRCRAFT STORAGE

Aircraft storage covers three rate setting areas: monthly tie-downs, T-Hangars, and Conventional hangar space.

- ***Monthly Tie-Down Rates:*** The LXT rate is $62/month. This compares with $75 at IXD and $55 at GPH. There are no short-term charges for itinerant tie-down space at Wheeler, and no monthly rate for based aircraft was published. In comparison, LXT is slightly below the average of $65/month regarding monthly tie-down rates. No changes are suggested.
- ***Monthly T-Hangar Rates:*** LXT's range of T-Hangar rates are from $345-$650 per month. This compares with a range of $270-$474 at the other three airports. It should be noted that the size of the hangars differs with these prices. LXT is in the mid-to-upper price range. However, the real measure of price point involves hangar occupancy. In this regard, LXT has filled their T-Hangars at these prices. Therefore, no changes are suggested.
- ***Conventional Hangar Rates:*** LXT's range of Conventional hangar rates range from $6.30-$8.70/sf for the first year. Escalation charges grow the range to $7.08-$9.78 in five years. The LXT charges include a minimum charge for fuel. That is, different types of aircraft must purchase minimum levels of fuel each month to enjoy the lower-range hangar rate. Larger aircraft have greater minimums for minimum fuel purchases. If aircraft tenants do not purchase fuel, a minimum fee is added to their base rate, ranging from $205-$582 per month. **Table B-2** shows the per square foot breakdown of costs.

Table B-2 – Conventional Hangar Prices per Square Foot, with Escalation

Year	Start	Year 1	Year 2	Year 3	Year 4	Year 5
Aircraft Space	$0.525	$0.538	$0.551	$0.564	$0.577	$0.590
Minimum Fuel	$0.200	$0.205	$0.210	$0.215	$0.220	$0.225
Monthly Total rate/s.f..	$0.725	$0.743	$0.761	$0.779	$0.797	$0.815
Annual	**$8.700**	**$8.916**	**$9.132**	**$9.348**	**$9.564**	**$9.780**

Comparison of costs indicate that New Century charges $8.16 per square foot with no minimum fuel charge. Wheeler Downtown Airport did not specify the size of their hangar space, and so the total charges could not be directly compared to LXT. However, at LXT a Citation-Encore business jet costs $1,971 per month if no fuel is purchased and $1,388.65 if fuel purchases exceed the minimums. These ranges are in proximity to the $1,660-$1,778 per month at Wheeler Downtown.

Again, the measure of whether or not the rates are competitive involve the vacancy rates at LXT. Given that there are no vacancies for Conventional hangar space, the pricing is not too high for the market. Instead, there may be room for price increases if waiting lists of aircraft owners increase in number. For Hangar 1, this would be economic rent, based upon a large demand and competitive pricing, rather than cost-based rent.

B.3.2 FUEL PRICES

It should be noted that the published prices in **Table B-1** do not include the volume discounts given by LXT to transient and repeat customers. At face value, the self-serve 100 LL Avgas at LXT is more expensive than Wheeler Downtown or Midwest National Air Center. However, New Century's price is $0.87 per gallon higher than LXT. It should also be noted that the City of Kansas City (sponsor of Wheeler Downtown) provides the self-serve fuel and competes with their FBOs (Signature Flight and Atlantic Aviation) which only have full service fueling.

For full service 100 LL Avgas, LXT is less expensive than IXD and MKC, but more expensive than GPH. For Jet-A fuel, LXT is less expensive than MKC by $0.61 per gallon. However, it is clear that both IXD and GPH are using the low/below market rate jet fuel prices to attract activity. Not even with the highest discount at LXT could the prices at IXD or GPH be matched for jet fuel. Some airports use this pricing strategy to penetrate market share.

In some cases, Airports choose to outsource full sales to an FBO and rely on a fuel flowage fee for revenues. This analysis does not recommend the privatization of fuel sales at LXT due to the dramatic decrease in revenues to the City which will not be able to be recaptured by a fuel flowage fee alone. A scenario where privatized fuel sales makes sense would involve a premium FBO such as Million Air or Signature Flight investing millions of dollars in new infrastructure and attracting significant amounts of new corporate activity.

B.3.3 GROUND SERVICES

Not every airport offers the same ground services. For those where comparisons are available, the following observations can be made.

- ***Lavatory Service:*** There is only a $5 difference in fees between those at LXT, IXD, and MKC. The fact that LXT and MKC have the same pricing indicates a neutral competitive advantage.
- ***Ground Power Unit:*** LXT's charge of $75 is more than any of the other airports, with MKC registering $55 as the next lowest rate. However, IXD charges $30 per hour and thus, a three-hour use could result in higher fees ($90).
- ***De-icing:*** Only LXT and MKC offer this service. MKC uses a flat rate of $24 per gallon. LXT has an initial fee of $175, with a $5/gallon markup on the de-icing fluid. It is difficult to compare these rates, except to say any spray at MKC that used less than 8 gallons would be less expensive than LXT.

B.3.4 GROUND LEASE RATE

Ground lease rates at LXT are higher than those for any of the other comparable airports. With $0.38 per square foot per year for aviation and $0.51 per square foot for non-aviation ground leases, there appears to be 36 percent increase over IXD, a 57 percent increase over MKC, and a 65 percent increase over GPH pricing. In addition, only one other airport, IXD, has two separate rates for aviation and non-aviation ground leases – both of which are significantly less than LXT.

Other factors that influence these rates include the amount of property leased and whether reversion clauses are included in lease agreements. For example, some leases only include the developable building space, while others include the entire ground footprint. A 10,000 square foot building may sit on a 30,000 square foot lot, thus creating similar rents for different measured areas. For those leases with reversion clauses, every year conveys some percentage of equity to the airport operator. A 25-year lease effectively transfers 4 percent equity to the airport owner each year.

B.4 RECOMMENDED RATES AND CHARGES

AFTER EXAMINING THE CURRENT RATES AND CHARGES at LXT, the rationale behind the pricing strategy, and the comparative pricing with other jet-capable airports in the service area, a set of recommended rates and charges was developed. **Table B-3** presents the either the recommended rate or the method to be used in developing that rate. As shown,

Table B-3 – Recommended Rates and Charges for LXT

Rate Item	Amount or Method of Rate Setting
Aircraft Storage	
Monthly Tie-Down	$62
Monthly T-Hangars	$345-$650 with CPI
Conventional Hangar Space	$6.30-$8.70/sf/yr. with CPI
Fuel Prices/Gallon*	
100 LL Self Service	Based - $0.79 markup/gallon, Transient - $0.97 markup/gallon
100 LL Full Service	Local Rates -$0.25/gal
100 LL Volume Discounts	$0.25-$0.55/gal as Proposed
Jet A Full Service	Local Rates -$0.25/gal
Jet A Contract Fuel ITW	$1.65/gal for Based Turbine Aircraft
Jet A Volume Discounts	$0.05-$0.80/gal as Proposed
Ground Services	
Lavatory Service	$65
Ground Power Unit	$75
Air Conditioner Service- 2 hour Maximum	$85

Table B-3 – Recommended Rates and Charges for LXT	
Rate Item	Amount or Method of Rate Setting
Preheats	$45-$55
Overnight Plug-in	$15
De-icing	$175 initial fee $5/gal markup
Ground Lease ($/sf/yr.)	$0.38/sf, $0.51 non-aviation with CPI and Reversion Clause in Lease

B.4.1 AIRCRAFT STORAGE

Monthly tie-down rates are between IXD and GPH pricing and should remain the same. Similarly, the hangar rates for both T-Hangars and Conventional hangars are competitive at their current pricing level and should not be lowered unless significant vacancies occur. It is believed that escalating the current rates for T-Hangars by CPI will not endanger occupancy rates.

Also, it is believed that adding a minimum fuel charge is a good idea because this strategy is successful in areas with a shortage of hangar space where renters are willing to pay that as a premium. Once the supply of hangar space reaches equilibrium, the monthly minimum can work as a competitive disadvantage. For at least the immediate and intermediate planning phases, the monthly fuel charge minimum should be effective.

B.4.2 FUEL PRICING

We agree completely that the fuel prices can be increased to be slightly below the competitive market without impacting sales volume. Typically, Avgas purchasers are the most price sensitive and will fly to other airports for fuel if there is a slightly lower price. However, jet fuel buyers spend disproportionately more on their aircraft than propeller aircraft operators. If the fuel price is competitive, they will not go elsewhere. While IXD and GPH are using low prices to attract transient business jet fuel sales activity, it certainly has not impacted the high jet fuel prices at MKC. It has also not significantly impacted jet basing practices (IXD and GPH have a combined 4 based jets – the same number as LXT). Therefore, the proposed method of pricing both Jet-A and Avgas at $0.25 below the local market rates is recommended.

B.4.3 GROUND SERVICES

The price points for ground services were all reasonable. One item, Ground Power Unit, was $20 to $30 more than competing airports. However, unless there is a lack of demand for that service, no changes were recommended in the current pricing.

B.4.4 GROUND LEASE RATES

The current ground lease rates are based on actual costs for aviation-related development, and market value for non-aviation related uses. The current rate of $0.38 per square foot per year is recommended as a baseline, subject to CPI, for aviation ground leases. The current rate of $0.51 per square foot per year is also recommended, subject to CPI, for non-aviation ground leases.

Reversion clauses are recommended for all aviation-related leases. Typical leasehold agreements would include 20-year lease terms with two additional five-year renewal options. In addition, language that requires maintenance of the facilities is important to include in the leases. Once the City gains ownership of the lease improvements, market rates for the facilities can be charged, rather than ground lease rates.