FBO STRATEGIC BUSINESS PLAN

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McKinney Air Center FBO
McKinney National Airport (TKI)
McKinney, Texas

Prepared for:

Mr. Mark Jaraczewski
FBO General Manager
McKinney Air Center
1500 E. Industrial Boulevard
McKinney Texas 75069

Date of Report: June 9, 2017

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June 9, 2017

Mr. Mark Jaraczewski
FBO General Manager
McKinney Air Center
1500 E. Industrial Boulevard
McKinney Texas 75069

RE: FBO Strategic Business Plan
McKinney Air Center FBO
McKinney National Airport (TKI)
McKinney, Texas

Dear Mr. Jaraczewski:

Per your request, *Airport Business Solutions (ABS)* is pleased to present this FBO Strategic Business Plan for the McKinney Air Center FBO at the McKinney National Airport (FAA Identifier TKI) in McKinney, Texas. The following report provides our assessment and analysis of the operation relative to its current and prospective position in the FBO marketplace in the Dallas Metroplex region.

In the development of this document, *ABS* performed a comprehensive analysis of the current McKinney Air Center and Airport operation, as well as researching numerous sectors of the local, regional and national aviation and FBO marketplace. We performed a tour of all aviation service providers within a 35-mile radius of the Dallas city center, including the FBO facilities at key airports including Dallas-Fort Worth International (DFW), Denton Municipal (DTO), Addison (ADS), Dallas Love Field (DAL), Mesquite Metro (HQZ), Dallas Executive (RBD), Arlington Municipal (GKY), Fort Worth Meacham International (FTW), and Alliance (AFW). Moreover, we reviewed the operational and market data from a number of reliable sources, as well as data from the *ABS* proprietary industry database. This detailed assessment provided us with sufficient and comprehensive data to yield adequate and supportable conclusions and recommendations relevant to the FBO and its position within the regional general aviation environment. In addition, we performed a management overview of the FBO in relation to its role with the Airport and City management, financial, and operational structure.

We appreciate the opportunity to provide our professional services regarding the McKinney Air Center FBO. If you should have any further questions, please advise.

Respectfully Submitted,

Michael A. Hodges, MAI
President/CEO

Randy D. Bisgard
Senior Vice President

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Airport Business Solutions

FBO STRATEGIC BUSINESS PLAN FOR THE MCKINNEY AIR CENTER FBO

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1. INTRODUCTION & BACKGROUND INFORMATION

The City of McKinney, Texas owns and operates the McKinney National Airport (TKI), which is located just east of the McKinney City Center and approximately 32 miles north of downtown Dallas. The City has continuously operated the Airport and acted as its sponsor since its inception in 1979. During its existence, the Airport has grown nearly every year and is now known as one of the key corporate and general aviation facilities in the entire Dallas/Fort Worth Metroplex. Several key national corporations call the North Dallas area their home, and as such, they house their flight departments at TKI. Flight activities at TKI include fixed wing and helicopter flight training, aircraft rental and charter, aircraft maintenance and ground handling, corporate aviation flight activity, emergency air services, recreational flying and private aircraft operations. There is no commercial air carrier service currently provided at TKI, although there have been discussions in recent years about its viability.

In November 2013, the City acquired the McKinney Air Center FBO from Schuler Development, who operated the FBO as part of a larger ground lease that also included most of the hangars on the Airport. The City has been operating the FBO since its acquisition.

The FBO Strategic Business Plan herein outlines numerous issues and recommendations relative to the management, operation and development of the McKinney Air Center FBO. It should be noted that development of this work has been done concurrent with a new Airport Master Plan being prepared by Coffman Associates. As a separate and targeted document, this FBO Strategic Business Plan has been developed to provide certain key strategic planning opportunities and recommendations that are not typically a part of an airport master planning process. The Master Plan is prepared to support the modernization and expansion of the Airport, including the City's

strategy for development of airport facilities and infrastructure. The goal of this FBO Strategic Business Plan is to provide comprehensive information regarding general aviation industry trends, local market conditions, financial implications, management policies, financial considerations and other key issues that will help the City to make key management and business decisions moving forward. Moreover, based upon the Strengths, Weaknesses, Opportunities and Threats (SWOT) Analysis herein, certain conclusions and recommendations will be provided.

This FBO Strategic Business Plan is intended to be a working document that management may use to re-evaluate the FBO on a regular basis to allow for changes in policies and procedures as often as market and economic trends or conditions change.

a. Scope of the Assignment

Airport Business Solutions (*ABS*) has been engaged by the City of McKinney to provide a FBO Strategic Business Plan analysis regarding their proprietary exclusive fixed base operation (FBO) management and operation business model at the McKinney National Airport (TKI). As a part of this assignment, *ABS* has researched the local, regional and national aviation marketplace in regards to the current and future market trends for general aviation services. This FBO Strategic Business Plan also discusses the "pros and cons" of the proprietary business model, including the financial impact to the City over the next 5-year period.

This Plan is predicated upon a strategic approach, which is an expression of qualitative expectations to demonstrate that the City has engaged in sound, progressive management of its aviation facilities. Furthermore, the strategic approach is one where the focus on safety and security is the cornerstone of the core organizational beliefs, strategic achievement, and to the

greatest extent possible, promotes financial self-sufficiency and ultimately create jobs for the community.

b. City/Airport City Goals

With regard to this assignment, and as background to the need for this summary report, it is important to understand the goals of the City, and the impact these goals have on the conclusions represented herein.

Currently, the City is exploring its options associated with airport expansion and its initial financial success with the operation of the FBO. The City is in a unique position to evaluate and determine the future opportunities available and to chart the future of aviation services at the Airport. Based upon previous analysis and discussions by the City, a number of questions have arisen regarding the impact of operating and managing the FBO. Within these discussions, the preliminary goals of the City are:

- Ensure the highest level of service is being provided to all users of the Airport
- Establish facilities and services that continue to make McKinney National Airport the paramount "front door" to the overall local and regional community
- Provide value-added services to maximize resources and opportunities of the City
- Ensure fair and reasonable pricing of aviation services
- Be good stewards of City resources through the maximization of Airport revenue

1.1 METHODOLOGY

Airport Business Solutions has researched many areas in the preparation of this Plan and met with Airport and FBO staff in order to create a comprehensive FBO Strategic Business Plan that enables the City to have an efficiently managed and financially secure FBO well into the future. The development of this working document includes information provided by the City, interviews with local pilots and Airport users, research of general aviation industry trends, analysis of local and

national economic trends, review of the specific market situation at TKI, and the direct impact of the other critical competitive airports in the region. Along with the specific data analysis, *ABS* also relies on its 150 combined years of experience in managing, operating and consulting to airports and airport-related businesses.

a. On-Site Review

ABS has considerable knowledge of the McKinney/Dallas area from previous projects in the region, as well as at TKI. In addition to this historic, regional knowledge, *ABS* also conducted several on-site reviews of the surrounding airports, and a detailed tour of TKI and meetings with FBO staff.

b. Airport Data

As a part of this engagement, *ABS* reviewed all pertinent data relevant to the current FBO/Airport situation including operational data, general aviation fuel volumes, based aircraft, airport infrastructure, facility inventory, tenant leases, market drivers, competitive airports, and other demographic data related to the community and future economic trends.

c. *ABS* Proprietary Data

In addition to the data provided by the Airport/FBO and others through interviews, *ABS* also relied on information from its proprietary database of aviation service business appraisals and consultations, knowledge of transactions and business activity currently occurring in the industry, and other financial data from previous engagements to reach the conclusions herein.

d. Industry Data

ABS has reviewed general aviation industry data including trends in the fuel market, acquisition and consolidation of operations, pilot data, flight activity and overall changes in the general aviation marketplace. In addition, through industry conferences, meetings with business aviation leaders and through our considerable network of FBO colleagues, *ABS* has discussed the overall "state-of-the-industry" on a number of recent occasions. It is suggested by the discussions that the overall optimism of the industry is currently at a very high level.

1.2 HISTORY AND EVOLUTION OF THE GENERAL AVIATION INDUSTRY

This analysis of the McKinney marketplace also includes additional industry statistical data available at the time of this writing, along with revised projections for the future. In this update, we provide industry historical data so that all readers can fully understand the recommendations and outlook for the future for general aviation operations at TKI. It is also important to understand the history of the FBO industry, how it was conceived, and how it has evolved into today's complex marketplace. It should also be noted that *ABS* provides this background information to inform all potential readers of this report as to the make-up of the industry. It is common in reports of this type, that numerous government and private entities may have interest in, or direct input, regarding the final implementation of the recommendations herein. As such, this background information is provided for those readers who may not have full knowledge of the general aviation service industry.

a. The Early Years

In the post World War I era, aviation was in its infancy. Aeronautical activity in this country was primarily related to airmail service and flying circus events utilizing what were then known as "barnstormers". These barnstormers were identified as such because they flew to and from farmers fields often utilizing a barn or other protected area to park their aircraft and perform refueling and maintenance services. During that period, in most areas of the country, airports were nonexistent and the pilots of the era relied on a chase vehicle or mobile operation to support their existence. These "mobile" bases of operation were typically small support vehicles or trucks with holding space for drums of gasoline, a few spare parts and some tools for maintenance. As the industry expanded, particularly airmail routes, it was quickly recognized that these chase vehicles were very impractical. It was determined that a fixed location for support services would be required to meet the needs of the aircraft transiting the country. These "fixed" bases of operation were established to provide the needed services, and therefore, the first Fixed Base Operations (FBOs) were born. Essentially, these first FBOs also became the first airports. Later, hangars were built, terminals added, runways were paved and navigational aids became a part of the system. Regulatory control

of airports and airspace came into being in 1938 with the Civil Aeronautics Authority (CAA), which in 1958 became the Federal Aviation Administration (FAA). As the airports grew, municipalities and other entities began to control the airport environs; however, the service entities that provided the fuel and maintenance continued to be called FBOs, and the term is still in use today.

b. Full Service FBOs

As the fledgling industry grew, and personal aircraft ownership/flying expanded, a new sector of aviation was formed called general aviation. This sector grew out of what was then either military air operations or commercial air carrier activity, including either mail/cargo or passengers. Today, general aviation is the largest segment of the industry and includes all air operations other than military and air carrier. This segment includes over 220,000 active aircraft which fly all types of missions including pleasure/personal flying, air ambulance, fight training, fire suppression, aerial surveillance/police work, charter, and business or corporate flying. Although FBOs, both then and now, regularly cater to all segments of the industry, it was the growth of the general aviation segment of the industry that created an explosion of FBOs across the country. At its peak in the late 1970s, there were nearly 10,000 FBOs in the U.S., and nearly all of them were considered "full service". There are few "full service" FBOs today that offer all of the services of the early days. During this peak historic period, there were often multiple FBOs on every field and the potential for growth seemed limitless. It is estimated that today, there are approximately 3,000 fixed base operators across the nation.

Like the early auto gas stations of the same era that not only provided gas, but windshield washes, fuel attendants, oil changes, repair, parts and tires, FBOs also offered a full line of services. In order to meet the demands of each airports users or aircraft owners, FBOs offered fuel sales, aircraft maintenance, aircraft refurbishing/painting, aircraft parts, pilot supplies, flight instruction, hangar rental and parking, avionics (radio) repairs, aircraft rental and/or charter, in-flight catering, car rentals, and the sale of new and used aircraft. Many of these operators were aligned with aircraft manufacturers to be the regional sales offices for new aircraft. In addition to the services,

these early operators also offered terminal facilities with restrooms, waiting areas and vending machines.

Later, these became known as "executive terminals" to cater to the boom in business aircraft ownership and corporate flying. These executive terminals, which are typical of today's modern FBOs, include conference areas, private offices, passenger lounges, pilot lounges, quiet rooms, flight planning areas, restrooms, flight service counters, vending areas, and in some cases, sit-down restaurants. In addition to the terminals, these FBOs also offer ramp areas for staging and parking of aircraft, hangars for rental (daily and monthly), aircraft tie-down areas, auto parking and fuel storage facilities.

c. Fuel and Liability Issues in the 1980s

A significant event in the evolution of the FBO came in the early 1980s when the Organization of Petroleum Exporting Countries (OPEC) placed an embargo on crude oil destined for the U.S. As a result, the cost of aviation gasoline (avgas) and aviation jet fuel spiked to record highs. This high cost of fuel combined with the loss of product supply caused a major downturn in all of aviation, but particularly in general aviation. There were extensive periods when many auto gas stations could not get fuel, and as a result, the higher-end aviation fuels were refined in even smaller quantities. FBOs could not get fuel, particularly on weekends, when most of the flight training and pleasure flying took place. The overall downturn in the economy with this lack of fuel product sent the industry into a tailspin. Many corporate flight departments closed and simply walked away from hangar leases and aircraft operations. This downturn, combined with the oversupply of full service FBOs, caused a sudden loss of thousands of FBO entities across the country. Many just closed their doors and walked away leaving airports and other banking entities with abandoned facilities and airport leaseholds.

In addition to the loss of overall aviation activity, the aircraft manufacturing industry took a sharp downturn as well. The three major manufacturers, Cessna, Beechcraft and Piper, all saw an immediate cessation in the sale of new aircraft. The price of fuel had priced most prospective buyers out of the market, and also caused flight schools and other entities to stop buying new aircraft. This created a ripple effect that included no new aircraft entering the market, limited flying hours taking place, and a dramatic drop in new entry student pilots because the hourly cost of operating airplanes skyrocketed.

Another key issue that had a direct effect on aircraft sales, and indirectly to the FBOs, was the lack of what would later become Tort Reform legislation regulating the liability of manufacturers. During the peak periods of the 1970s and early 80s, when many aircraft were sold and large numbers of hours being flown, there were a number of fatal aircraft accidents that were primarily the cause of inexperienced pilots in older aircraft. In almost every case, even though the experience of the pilot was a key causal factor, the aircraft manufacturer, the engine manufacturer, the maintenance provider, and sometimes even the FBO who last fueled the aircraft, were all named in litigation by the survivors. During this period, regardless of the root cause of the accident, manufacturers were being found liable for damages because the aircraft, sometimes over twenty years old, were being held to the technology standards of the day, even though the aircraft were well maintained. Ultimately, the manufacturing of single engine aircraft in the late 1980s was ceased because the demand was low and the cost of liability insurance made it cost prohibitive to build these smaller aircraft. As an example, according to GAMA figures, in 1977 there were over 14,057 single-engine aircraft manufactured in the United States. Today, the number of new single engine aircraft built is only 898.

All these factors combined to create a huge downturn in FBO activities. The lack of new aircraft, the loss of flight departments, and limited personal flying hit every department of the FBO. Fuel sales were down, maintenance was down, hangars were empty, and service operators were closing their doors almost daily. The higher cost of liability insurance, new environmental laws for fuel storage, and the skyrocketing cost of doing business on an airport became prohibitive for many businesses. By the early 1990s, the number of FBOs had decreased from 10,000 to around 4,000. Today, there are only about 3,000 businesses that can be officially called FBOs.

d. Consolidation

As a result of the heavy losses and abandoned facilities, there were opportunities for the FBOs that survived the 1980s. Once the industry began its slow emergence from this bleak period, those that survived were in a position to take over their competitors' facilities, either by default or purchase. Often, those airports that had multiple FBOs were consolidated into two competitors, and in many cases, just one surviving entity. Many of those lost were family owned or single entity operations that had limited capital resources to stay in business. This brought about the advent of the chain or multiple location FBOs. Also, in some cases, in order to compete, these individual FBOs became part of a group of franchise organizations to gain the marketing and support from the franchise organization.

This was a key period in the development of and definition of FBOs, because it was at this time that many of these new emerging chain entities began to slowly sell off, or eliminate, lines of business that were not profitable. At that time, the core chain FBOs began to concentrate on fuel sales, properties (tiedown, hangar and office rental), some aircraft maintenance, and ground services, to support fuel sales. This resulted in the selling off or elimination of flight schools, parts sales, charter, paint shops, avionics shops, and other services as parts of the FBO operation. In the past five years, further consolidation has resulted through the acquisition of both individual locations, and other chain operations, by investment banking groups. These groups have developed large chain organizations, which have further limited the lines of business they provide. In some cases, these operators offer fuel sales, ground services and properties as their key lines of business, and thereby rely on other surrounding businesses to provide the other requested services typically found at an airport.

At TKI, for nearly the entire history of the Airport, McKinney Air Center has been the sole source FBO. Consistently ranked among the best operators in the nation, this entity has proudly served the Airport and its users with local ownership, and now, City management and operation. This airfield has remained a single FBO facility due to several reasons, including the provision of high quality services, and their excellent relationship with their long-term tenants and itinerant users of the field.

e. A La Carte Services

With the emphasis on fuel sales and hangar leasing as their primary sources for revenue, current FBO entities often rely on others to provide support services. At many locations, the FBO has become the anchor tenant, much like a large chain store would be at the local mall. The FBO brings in the aircraft for fuel, but other services are offered a la carte through separate entities on the field or sometimes under that same roof. In many cases a subtenant of the FBO provides these other services, particularly aircraft maintenance. Often, the former FBO maintenance personnel either bought out, or took over, the FBO's maintenance operation and ran it as a separate business. This resulted in the advent of the a la carte offering of many of the support services other than fuel, ground services, and properties. This change in business models allowed each entity to focus on their niche in the airport marketplace. It is at this point that the Specialized Aviation Service Operation (SASO) was formed. These other entities, which did not sell fuel or ground services, became known as SASOs.

Most airports are dotted with small maintenance, avionics, parts or other entities that meet the users demand for that airport or region. Because of the mobile nature of the aircraft, in some communities there may be various service providers (SASOs) with specialties at one particular airport that may not be available at other airports in the area. As such, it is key to note that both FBOs and SASOs compete locally, on the field, and also regionally, and sometimes nationally for services such as major maintenance, refurbishment, and charter.

1.3 WHERE WE ARE TODAY

a. Fixed Base Operators

Today's definition of an FBO is a little more complex because of the nature of the industry and the trend toward a la carte services. What once was called a full service FBO, which included every line of business available on the airport, are now almost nonexistent. However, the one key element to defining any FBO is fuel sales to the flying public. By definition, and by the consensus of every sector of the industry including pilots, aircraft owners, airport users, air carriers, industry trade organizations, airport managers, regulatory agencies and FBO service providers, an FBO is recognized as follows:

- An FBO must provide fuel sales to based and itinerant flying public and have a commercial aeronautical lease or operating agreement with the airport sponsor. In most cases, this would include providing both 100LL/Avgas and Jet fuel.
- An FBO must provide terminal services and other facilities in support of fuel sales. At a minimum, the terminal must have passenger waiting areas, restrooms, vending areas, flight counters and weather briefing stations. Other minimum facilities would include aircraft parking, ramp access and staging areas, aircraft tie-down, hangar space, fuel storage and auto parking. The size and make-up of these areas are generally dictated by the airport's Minimum Standards.
- In addition to fuel sales, an FBO must provide ground services to include lavatory servicing, aircraft towing, oil servicing, oxygen servicing, deicing, catering, ground power, food/vending and ground transportation. Moreover, they typically are required to provide at least one (1) additional secondary service from the list of typical services provided at an airport including:

- ✓ Properties - Including hangar and office rental, or land leasing
- ✓ Maintenance
- ✓ Avionics
- ✓ Parts Sales
- ✓ Aircraft Sales
- ✓ Flight Training and/or Aircraft Rental
- ✓ Charter
- ✓ Aircraft Refurbishment and/or Paint & Interior
- ✓ Air Carrier Services
- ✓ Cargo Handling

The current situation at TKI with regards to the FBO is that this entity has very high quality facilities, offers all of the key amenities required by corporate flight departments, and also has very good marketing and service offerings.

In order to make the playing field level for all commercial aeronautical operators at TKI, Minimum Standards have been established to ensure high quality services for all users of the field. The Minimum Standards, along with the development of a new Airport Master Plan, are currently being developed by Coffman Associates.

b. Specialized Aviation Service Operators

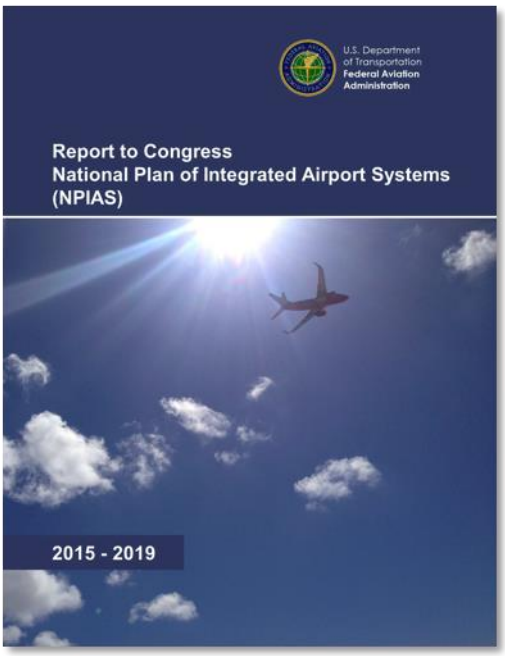
Specialized Aviation Service Operations (SASOs) would include other tenants or subtenants on the field who would typically have a commercial aeronautical lease or operating agreement, either directly or indirectly, with the airport sponsor and meet the following criteria:

- Each SASO must offer at least one of the secondary services listed above
- The offering of ground services alone does not qualify as a SASO
- The SASO designation would specifically exclude the sale of fuel
- **NOTE**: The Airport currently has a SASO category called “Aircraft Hangar Operator”.

It is important to note that a corporate flight department, or other airport tenant that has its own fuel storage and/or provides fuel to their own aircraft, or to other entities within or through that facility, would not be considered an FBO or a SASO because they do not meet the other service or facility requirements of an FBO. Furthermore, they would not typically have the commercial aeronautical lease terms to allow these operations, nor would they meet the typical airport Minimum Standards for FBO status. Although this is a non-issue as long at the City exercises their exclusive right to be the only FBO at TKI, in the future, should the operational structure change, this would preclude a corporate tenant from becoming a competing FBO entity.

1.4 CURRENT INDUSTRY STATISTICAL DATA

a. National Airport System



The United States accounts for approximately 30 percent of all commercial aviation and 50 percent of all general aviation in the world, and an extensive system of airports throughout the United States has been developed to support these activities. McKinney National Airport is a part of that national airport system. Updated every two years, the National Plan of Integrated Airport Systems (NPIAS) is submitted to Congress in accordance with the United States Code. The 2015-2019 plan identified 3,345 airports (3,331 existing and 14 proposed) that are significant to national air transportation, and therefore, are eligible to receive funding grants under the Federal Aviation Administration's (FAA) Airport Improvement Program (AIP). The NPIAS is used by the FAA in administering the AIP, and is comprised of all commercial service airports, reliever airports, and select general aviation airports.

McKinney National Airport is included in the NPIAS as a key aviation infrastructure asset. In 2019, TKI will be upgraded from a Regional to a National General Aviation use airport. This puts the field in one of the top general aviation categories for Federal support and availability of funding.

b. Aircraft Manufacturing

One statistic that is often used to analyze the future business outlook of airports is the number of general aviation aircraft manufactured each year. The piston-engine aircraft industry enjoyed strong success in the 1960s and 1970s, but suffered a major decline in the 1980s. The decline was largely due to the increase in liability lawsuits that raised insurance premiums beyond acceptable levels and the negative impact this imposed to aircraft manufacturing. Between 1978

and 1986, the annual United States' airplane shipments dropped from 17,811 to 4,000, and the manufacturers were spending more on lawsuits than on research and development.

In 1994, the General Aviation Revitalization Act was passed which limited the liability of aircraft manufacturers, and aircraft production began to moderately rise. According to the General Aviation Manufacturers Association (GAMA), since 1994, manufacturers of general aviation airplanes have produced and shipped close to 57,000 fixed-wing general aviation airplanes worth over $300 billion. GAMA also estimates that there are over 220,000 active fixed wing and rotorcraft aircraft in operation in the United States and approximately 362,000 aircraft in operation around the world. The following table depicts the most recently reported historical aircraft shipments by type around the world.

HISTORICAL AIRCRAFT SHIPMENTS BY TYPE: MANUFACTURED WORLDWIDE Source: General Aviation Manufacturers Association							
Year	**Grand Total**	Single Engine	Multi Engine	**Total Piston**	Turboprop	Business Jet	**Total Turbine**
2004	**2,962**	1,999	52	**2,051**	319	592	**911**
2005	**3,590**	2,326	139	**2,465**	375	750	**1,125**
2006	**4,054**	2,513	242	**2,755**	412	887	**1,299**
2007	**4,277**	2,417	258	**2,675**	465	1,137	**1,602**
2008	**3,974**	1,943	176	**2,119**	538	1,317	**1,855**
2009	**2,283**	893	70	**963**	446	874	**1,320**
2010	**2,024**	781	108	**889**	368	767	**1,135**
2011	**2,120**	761	137	**898**	526	696	**1,222**
2012	**2,164**	817	91	**908**	584	672	**1,256**
2013	**2,353**	908	122	**1,030**	645	678	**1,323**
2014	**2,454**	986	143	**1,129**	603	722	**1,325**
2015	**2,331**	946	110	**1,056**	557	718	**1,275**
2016	**2,241**	898	106	**1,004**	576	661	**1,237**

As depicted in the table, with the exception of slight uptick in 2014, aircraft manufacturing decreased through 2016 by about 6%. In the past five years, the inventory of used aircraft has been slowly moving downward. With limited sales of used aircraft, new units will be in more demand, and it is believed that the next several years will see a moderate increase in aircraft sales for both private and business uses. Sales to oversees clients has been the most active portion of the market. There are also indications by the new Congress that the limits on the way aircraft are depreciated may be changed. If so, this may dramatically improve the financial viability of new aircraft acquisitions. If this legislation is approved, it will positively impact aircraft sales in the future. However, this may be years away from approval and implementation and it may have an effect on the entire marketplace.

However, in most cases the only thing that will improve the financial and operational situation for aircraft manufacturers and airports is the passage of time. This includes time for the economic situation to improve, for fuel prices to stabilize, for additional flying hours and for additional aircraft manufactured and sold. Another indication of the market changes since the previous report shows that aircraft billings are down 14% from $24.1 Billion in 2015 to $20.7 Billion in 2016. This appears to be partly due to reduced demand both domestically and worldwide. The contraction in aviation is particularly due to political gridlock in Washington, D.C., and there will likely be continued economic issues tied to politics as the new administration establishes their new policies and budgets. However, the industry appears to be past its low point and many financial institutions and aviation associations see the potential for continued recovery and growth over the next decade.

The economy is currently experiencing an upturn, particularly in the stock market, and there are signs of recovery of general aviation, including steadier demand for business jets outside North America. However, this seems to be showing a trend back to domestic deliveries. It should also be noted that the general aviation industry typically follows the national economy in terms of recovery. Historically, the industry begins to improve six to twelve months after the national trends

begin to peak. This is because of several factors including buyer's reluctance to jump back into the market, and the volatile nature of the pricing of fuel. Currently, the industry is also faced with uncertainty in the future of aviation gasoline due to lead content. Like the housing industry, aviation is slowly but steadily increasing, particularly in areas of the country that have shown more resilience to the downturn, including areas such as the Dallas Metroplex.

c. Aviation Fuel Sales

In addition to the number of aircraft produced in the United States, the amount of aviation fuel sold annually must be reviewed to analyze trends. Although general aviation in the United States flies 166 million passengers each year, this segment of aviation consumes less than 7 percent of all aviation fuel burned annually. Jet fuel is the predominant type of aviation fuel used by civil aviation, but general aviation consumes just over 5 percent of this type of fuel each year. It is estimated that turbojets burn 62 percent of the total general aviation fuel, while piston-powered burn 20 percent. Turboprops are estimated to consume 13 percent of the total general aviation fuel and helicopters 5 percent. The following table provides insight into the total fuel consumed by general aviation aircraft each year and the gallons per hour of flight. This table shows that total aviation fuel usage was down in 2015 along with the average rate per hour. This is due to lower flight activity as well as more fuel-efficient aircraft.

TOTAL FUEL CONSUMED AND AVERAGE FUEL CONSUMPTION RATE BY FUEL TYPE - 2014 vs. 2015 (Source: GAMA)

Fuel Type	2014		2015	
	Average Rate - Gallons Per Hour (GPH)	Estimated Fuel Use (U.S. Gallons)	Average Rate - Gallons Per Hour (GPH)	Estimated Fuel Use (U.S. Gallons)
Jet Fuel	166.0	1,454,161,000	154.9	1,384,412,400
100 LL (Low Lead)	15.3	199,259,000	12.8	174,933,600
100/130 Octane	15.2	6,549,000	15.8	8,923,900
Automotive Gas	6.9	4,954,000	6.4	5,229,400
Other Fuel (Military)	26.4	6,848,000	18.0	1,902,200
Total Fuel Use (Avg)	**72.0**	**1,671,770,000**	**65.6**	**1,575,401,400**

The following table depicts the historic and forecasted fuel consumption of general aviation aircraft across the United States. It appears from the data that the fuel consumption was at its peak

in 2008 just prior to the recession caused by the banking crisis. A drop of nearly 300 million gallons was seen in 2009. Jet fuel sales improved significantly in 2012, but have remained relatively flat since that time. Although new aircraft are continually entering the market, many of them are more fuel-efficient. Older aircraft are also being retired or sold to entities outside the U.S. In combination with the loss of fuel volumes, the margin on fuel sold has slowly eroded due to the transfer to more contract fuel sales as opposed to retail up-lifts. Fuel sales are predicted to slowly improve, but recovery could take several years.

U.S. GENERAL AVIATION AIRCRAFT FUEL CONSUMPTION (In Million of Gallons) Source: FAA			
Year	Total Fuel Consumed		
	100LL/Avgas	Jet Fuel	Total
2000	332.8	972.0	1,304.8
2001	279.2	918.3	1,197.6
2002	276.7	938.3	1,215.0
2003	272.4	932.3	1,204.7
2004	272.9	1,230.9	1,503.8
2005	295.0	1,526.7	1,821.7
2006	283.4	1,642.6	1,926.0
2007	273.6	1,485.6	1,759.2
2008	248.1	1,705.7	1,953.8
2009	227.4	1,447.0	1,674.4
2010	220.7	1,434.8	1,655.6
2011	215.5	1,490.7	1,706.2
2012	212.3	1,542.4	1,754.7
2013	197.3	1,259.6	1,456.9
2014	209.5	1,466.4	1,676.0
2015	208.2	1,471.4	1,679.0

Because general aviation fuel is a relatively small segment of the total petroleum products consumed in the U.S., it is highly susceptible to changes in the marketplace. The current volatility of fuel prices has most people in the industry concerned as to how stable prices will be in the future. (Fortunately, at the time of this report, fuel prices had stabilized and even receded to more reasonable levels in most markets.) Although it has been shown that business aircraft owners and operators have been absorbing the additional cost of fuel and continuing to fly, it has been reported that flight departments are always looking at ways to reduce costs. Many have indicated that the budgets of flight operations have shifted many more gallons of fuel to "fuel supplier contract" type

purchases at FBOs. The cost of fuel and its volatility always pose a significant threat to FBOs that are always dependent on fuel margins, particularly those that are highly leveraged. However, those operators and airports that have survived one of the worst economies in recent history are well positioned to grow in the future. Even though the economy is moving toward improvement, FBOs that have been incumbents at a given airport for several years have weathered the storm. However, a new entrant to any market, particularly at TKI, would likely not succeed financially because of the strength of McKinney Air Center, and the simple fact that TKI is currently a market that will support only one FBO.

In addition, in the future, fuel efficiency of both the recreational and business aviation fleet will continue to improve. Engine manufacturers are continually enhancing the fuel efficiency of the aircraft since they realize the need to lower the operating costs of their clients. In addition, aircraft manufacturers are searching for new designs to incorporate advances in aerodynamics and lightweight composite structures that reduce weight and drag and thus lower fuel consumption. This will also have an impact on service providers and the airports where they operate.

d. Flight Operations and Pilot Data

Each year it is estimated that FAA and Contract control towers handle around 63 million operations at airports across the United States, of which a large percentage is general aviation. For instance, general aviation accounts for almost 39 percent of the 47 million instrument operations at FAA monitored facilities each year, the largest share of any segment of aviation. By comparison, air carriers account for 29 percent of instrument operations, air taxis comprise 25 percent, and military aviation is less than 7 percent of the total.

The United States' pilot population in 2015 was in excess of 590,000, including 171,000 private pilots, 101,000 commercial pilots, 155,000 air transport pilots, with the remainder helicopter, sport and student pilots. Of these pilots, 102,000 also hold a flight instructor certificate.

Since 1980, when the U.S. recorded the highest number of pilots (827,071), the total number has steadily declined and remained near 600,000 for the past decade.

FAA CERTIFICATED PILOTS (Source: GAMA)								
Year	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**
Total Pilots	613,746	594,285	627,588	617,128	610,576	599,086	593,499	590,038

The decline of pilots nationwide affects each airport differently. Based upon the number of pilots in the local area, the decline of pilots nationwide appears to have had minimal effect on TKI. It is interesting to note that after the terrorist events of September 11, 2001, several airports recorded an increase in operations due to the increase in student pilots. Many of these student pilots were business travelers that wanted to avoid the perceived hassle of commercial air service security, and enjoy the benefits, such as time and flexibility that general aviation offers. While the population of commercial/airline pilots has been increasing, the total number of pilots has remained relatively flat partly due to the considerable expense of achieving pilot certification due to the increased price of fuel and related flight training. However, the demand for new pilots is now growing rapidly, which bodes well for flight schools and associated aircraft operations.

e. Business Aviation and Fractional Ownership

While the past several years has shown limited growth in aircraft ownership, prior to the down turn in 2008 and 2009 fractional ownership was the fastest growing segment of the general aviation industry. It is expected that this segment will continue to be a key growth segment as the economy improves. While many of the aircraft that utilize TKI would be considered corporate aircraft, it is the private use of these aircraft, including flights to the Dallas Metroplex area, which

are key to the local market. Fractional ownership operations are also a key part of the business model at TKI and will continue to be a strong part of the market on the field.

In conclusion, it is suggested that the future of general aviation in and around the North Dallas area, including the McKinney National Airport, is in a reasonably stable position for the future. This includes anticipated moderate increases in private and business jet operations. Other areas that should also improve include sport aviation, charter, avionics services and spot maintenance. Specifically at TKI, itinerant aircraft activity is anticipated to continue to increase annually as long as the economy is stable to growing and the local, regional and national economy remains vibrant.

2. CITY/AIRPORT VISION

The McKinney National Airport is under the control and influence of the City of McKinney, Texas. In addition, McKinney Air Center, the City-managed FBO, is also influenced by both City and Airport management and political directives. While this structure can have a significant positive influence on the overall sound management and financial support of the FBO, it is imperative that it has its own mission and vision statement independent of, but complementary to, that of the City and Airport. As such, it is our recommendation that the McKinney Air Center FBO have a separate and distinct mission, as well as an independent management and operational structure within the Airport operating environment. This mission must be consistent with the City's overall vision, but should also be distinctly pertinent to TKI, since the role of the Airport is typically to provide a safe and secure operating environment, while the FBO is recognized as the representative of the community that is dedicated to interacting directly with the users and tenants, as well as delivering fuel, other aviation-related products, and miscellaneous aeronautical services to the flying community.

2.1 MISSION STATEMENT

Introduction

In addition to typical infrastructure and industrial/business parks, as they are part of the City of McKinney, McKinney Air Center and the McKinney National Airport are parts of the overall "McKinney First" resolution that includes specific goals and strategies for economic growth, operational excellence, maximizing development potential, financially sound government, and enhanced quality of life. In addition, the specific strategic direction of the City states *"During the next ten (10) years, the City shall maximize the development potential of McKinney National Airport by implementing a marketing program, improving and expanding aeronautical services through*

McKinney Air Center and based aeronautical service companies, acquire land, and progressively developing infrastructure and facilities. This will be complemented by an expanded and enhanced perimeter access management and control platform, environmental watch and Wildlife Hazard Management Program". In addition to the overall mission and vision of the entire City organization, McKinney Air Center also has its own separate Mission Statement and Vision to address the key aeronautical roles of the FBO entity. Current Mission and Vision statements are as follows:

Mission

> *To have McKinney Air Center recognized and maintained as one of the top Fixed Base Operators in the United States. Operate a first class Fixed Base Operation offering superior flight line and concierge services. Provide a commitment to growth and development of aviation services offered for our customers.*

Vision

> *McKinney Air Center (MAC) is committed to providing our customers and employees, exceptional safety, quality products and award-winning customer service.*

The following ***FBO Strategic Business Plan*** for McKinney Air Center is predicated upon the overall vision of the City, and through qualitative expectations, will demonstrate that the FBO entity has and will continue to engage in sound, progressive management of its facilities, and will keep itself on the leading edge of aviation best management practices. We envision an organization that will continue to operate in a businesslike manner, while serving the public in ways that exceed their expectations. Furthermore, this vision must also focus on safety and security as the cornerstone of core operational beliefs, strategic achievement, and Mission success. This vision is exemplified in an organization that continues to demonstrate a highly motivated professional staff that have remained at the forefront of FBO management, and whose many accomplishments are well documented. In the preparation of this document, *ABS* staff traveled to the area and interviewed several stakeholders and/or individuals with an interest in the FBO/Airport.

A clear goal for the McKinney Air Center must also include obtaining community consensus concerning the long-term role of the service facility via sustainability and continued best value executive class services. Over its lifespan, as the sole source operator on the field, McKinney Air Center may be challenged by individuals and organizations (potentially local, regional and national) that believe that the City should not be in the fuel business and that private industry must be allowed to be a part of the aircraft ground handling services on the airfield. This will require a constant vigilance by management to continue to provide the high-quality services that are currently being offered at McKinney Air Center.

Currently, the based tenants at TKI appear to be very satisfied with the City's sole source FBO scenario. However, in the future, tenants may believe that they would be better served by private industry or by a competitor. They may also use the fact that the City controls all of the fuel on the field to solicit the installation of their own fuel farm. This must be carefully monitored and tenants must be included in constant discussions about how McKinney Air Center is doing at providing services, as well as communicating with based and transient pilots to get feedback on service and facility issues. This long-term commitment to being the "best value" in the region for FBO services must be a part of the long-term vision and mission of McKinney Air Center.

As part of this FBO Strategic Business Plan's goals and strategies, the City should place greater emphasis on their role as a prominent, responsible citizen of the business and residential community focusing on how the FBO (and Airport in general) impacts all of the residents of the community, not just the corporate traveler. This includes explaining to the community that the runway is generally recognized as the most important "main street" in the City, as it provides the critical welcoming "front door to the community" through its facilities. This includes a community overview of the benefits of monies that business people and private aircraft travelers bring to the area, as well as the benefits to the citizens through access to air ambulance flights, emergency medical delivery of organs, aviation education and flight training, good high paying jobs, and a link to the national airspace system. Proactive community involvement through interaction and relationship building with business and political leaders and community organizations must be continued, as this will help ensure that this responsibility is fulfilled. We envision that the FBO will be recognized in the community in a positive manner for their efforts to promote both employment

and business opportunities, and the development of land and the expansion of the key business base development on and around the Airport. The ability of the City to operate McKinney Air Center on a continually self-sustaining basis should be an ongoing goal which can only be achieved by using best management practices, employing strong and functional policies, and striving to achieve an appropriate balance between the quality of services and the costs associated with those services.

Within the report that follows, *ABS* will outline many of the issues that have historically impacted FBO operations and development, as well as offering potential alternatives to maximize the effectiveness and efficiency of the Airport. In addition, a focus will be maintained on facilitating revenue growth, economic stability, and property development of the FBO.

With the addition of expanded and improved facilities, continued investment in personnel, equipment and marketing, as well as emphasis on private development on and off the field, we anticipate continued improving the FBO's financial self-sustainability and increased economic development opportunities for the Airport and City as a whole.

3. REGIONAL MARKET ANALYSIS AND COMPETITIVE POSITION

The following section describes the community surrounding the McKinney National Airport, the key competitive airports in the region and how these issues affect the ranking of TKI, including projections for its future growth. This section also evaluates the opportunities to improve the Airport/FBO's position in both the regional and national marketplace. The competitiveness of each airport is discussed in the section along with how McKinney Air Center compares with the 18 other FBOs in the region that are located at the nine comparable airports to TKI.

3.1 Local COMMUNITY INFORMATION

The City of McKinney is the county of seat of Collin County, one of two counties comprising the northern border of the Dallas-Fort Worth Metroplex. The City and Airport are located approximately 30 miles north of the Dallas metropolitan area city center. Collin County is approximately 886 square miles and is the largest county in Texas. The two largest suburban communities in the County are McKinney and Plano. The entire north Dallas region, particularly McKinney is one of the fastest growing communities in the Dallas area. McKinney reflects an estimated 2017 population of just over 168,000, while Collin County exhibits over 855,000 persons. In 2014, Money Magazine ranked the City of McKinney as the best place to live in America.

The entire Dallas/Fort Worth Metroplex is a thriving region, and is known as the largest landlocked population area in the country with just over 7,000,000 people. The greater multi-county MSA area is approximately 9,286 square miles and represents twelve areas, including Wise, Denton, Collin, Hunt, Delta, Parker, Tarrant, Dallas, Rockwall, Kaufman, Johnson and Ellis counties. In addition to being a major air transportation hub for the southwest, the region also has major national rail connections, and lies at the intersection of Interstates 35 and 20. Recently identified as the "Silicon Prairie", Dallas has become one of the nation's leading centers for high technology manufacturing and services. The region has a significant affluent population and ranks 6th

worldwide for the number of billionaires. The City of Dallas is ranked 9th nationally in community population with the greater MSA area ranking 4th in total population.

Due to the location, population, transportation infrastructure, and other attributes, the Dallas/Fort Worth region has become home to many businesses. The diverse community includes manufacturing, transportation, distribution, wholesale and retail trade, agriculture, finance, oil and gas production, and extensive health care systems and associated services. The Dallas area is headquarters to more than 100,000 companies and serves as the corporate headquarters of several Fortune 500 entities. Some of the more recognizable organizations include Exxon Mobil, AT&T, AMR Corporation, and Texas Instruments.

The City of McKinney and Collin County are both named after Collin McKinney, an early pioneer and land surveyor of the area in the mid 1830's. The area has a rich history and appears to be a very forward thinking and progressive community. From a local community and home base business perspective, in addition to the diverse Metroplex, the Collin County area is home to a number of key organizations. These entities include Raytheon, Encore Wire, Torchmark, Medical Center of McKinney, Baylor Medical Center of McKinney, and Toyota USA.

The comparison of job growth from the Bureau of Labor Statistics shows that on a percentage basis, the Dallas Metroplex is among the leading communities in the nation for job growth. The resultant data is for the year ending February 2017, and indicates a growth factor for jobs in the entire Dallas MSA area, at 3.5 percent.

Of the twelve largest metropolitan areas in the nation, Dallas ranked second only to Atlanta at 3.6 percent. This Dallas growth represents a net gain of over 91,000 jobs for the year. This is one of the most positive aspects of the growing economy in the Dallas MSA area. Projections for the

future indicate that the area will continue to see steady job growth well into the future. This also indicates that the entire state of Texas is one of the strongest economies in the nation.

The cost of living in the Texas area is also below the national average when compared to the national standard as measured by the Bureau of Labor Statistics. With a median factor of 100, Dallas is ranked at 99.3. Other comparable cities included Amarillo at 89.5, Waco at 88.9, McAllen at 85 and Round Rock, a suburb of Austin at 89.7. The most expensive cost of living index for the region was Denver at 105. The Dallas Metroplex' central U.S. location is equally proximate to North America's five largest business centers of New York, Chicago, Los Angeles, Mexico City, and Toronto. According to one source, more that 50 million people can be reached from Dallas/Worth overnight by truck or rail, and 98% of the U.S. populations can be reached within 48 hours. The North American Free Trade Agreement (NAFTA) Superhighway (Interstate 35) extends from the Texas-Mexico border to northern Minnesota and flows through the Dallas region.

3.2 CURRENT AIRPORT DATA

During our on-site review and subsequent analysis, *Airport Business Solutions* (*ABS*) took inventory of the on-airport services, facilities, and operational data of the McKinney National Airport (TKI). In addition, *ABS* reviewed the local and regional marketplace concerning services, pricing and infrastructure at key comparable airports in the area. The following section provides an overview of these findings. As noted within the industry background provided in Section 1, this section also includes general information regarding the location and infrastructure of TKI. Once again, this background data is included to provide information to potential readers of this document who have little or no knowledge of the general aviation industry or the local FBO business environment.

Location

The McKinney National Airport lies on the eastern edge of the City of McKinney, approximately 30 miles north of the City of Dallas city center. Because the area around the Airport is primarily industrial use and semi rural, they do not currently incur significant noise impacts or land use issues like many general aviation airports in highly concentrated residential communities. Highway access to the McKinney National Airport is via Industrial Boulevard directly into the heart of McKinney. The area is connected to the Sam Rayburn Tollway and this highway allows direct access south into Dallas via Highway 75 or the North Dallas Tollway.

Since the McKinney National Airport does not currently accommodate commercial air service, City residents typically utilize the Dallas/Fort Worth International and Love Field Airports to the south for access to domestic and international air carrier flights.

Airfield

McKinney National Airport is located within the area covered by the Dallas-Fort Worth Sectional Chart, and under airspace controlled by the FAA's (ARTCC) Fort Worth Center. The Airport is designated by the FAA as a "Regional" general aviation facility and lies at an elevation of 588 feet. The Airport contains one hard surface runway, Runway 18/36, which is 7,002 feet long by 150 feet wide. To enhance the Airport's operations, Runway 18/36 has a 4-light precision approach path indicator lighting (PAPI), on both approaches and a precision instrument landing system (ILS//DME) on the approach to 18. The runway is constructed of concrete and is in good condition and capable of accommodating aircraft with a weight bearing capacity of 75,000 pounds single wheel, 150,000 pounds double wheel, and 450,000 pounds double tandem.

The Airport also has a control tower that is manned from 06:00 to 22:00 daily and also has a MALSR – medium intensity approach lighting system with runway alignment indicator lights. The airport is owned and operated by the City of McKinney and the City is the FAA designated sponsor of the facility.

3.3 HISTORIC OPERATIONAL DATA

A review of the current TKI aircraft tenant listing indicates that the current number of based aircraft totals 286, with 221 of these being single-engine, 19 multi-engine, 12 turboprops, 27 jets, and 7 helicopters. The field has both fixed wing and helicopter flight school activity including professional programs ranging from student pilot training to airline transport certificates and ratings. The Airport lost a major tenant in 2012 with the departure of the HP flight department. However, in 2015 Toyota moved its flight operations from Long Beach, California to McKinney. Texas Instruments also maintains their corporate flight department at a large facility at TKI.

McKinney National Airport	
Based Aircraft	
Single Engine	221
Multi Engine	19
Turboprop	12
Jet	27
Helicopter	7
Total	**286**

Projections for the future indicate that based aircraft will increase by approximately 2.8% per annum, this represents approximately 325 total aircraft in 2021, 370 in 2026 and 460 aircraft in 2033. It should be noted that these estimates are primarily based on FAA forecast data, which is typically very conservative. These projections do not typically account for major changes in a particular marketplace such as Dallas, whereby the potential exists for the movement of a significant amount of based aircraft towards the more outlying airfields due to congestion and additional commercial activity at airports such as Dallas Love Field (DAL) and Addison Airport (ADS). The movement of just one or two large flight departments could have a major impact on the based aircraft at TKI.

With regard to the Airport's aircraft operating statistics, because the field is controlled, the number of operations is determined by control tower counts. As such, operations that take place when the tower is closed (22:00 to 06:00) are not included. The off hours traffic is projected to be an additional 5% of operations, by FAA estimates. The historical operations according to the FAA's Airport Master Record indicate that the Airport had approximately 120,000 operations in 2016, the last official full year's published record. It has also been estimated that the operational activity is divided up into four categories, including local general aviation at approximately 65%, itinerant general aviation at 33%, and military and air taxi at 2%. Future projections of annual operations provide for an increase of approximately 1.8% per year resulting in 131,300 operations in 2021, 147,600 by 2026, and 178,300 by 2036.

McKinney National Airport	
Annual Operations	
2011	83,011
2012	83,374
2013	88,605
2014	97,630
2015	107,626
2016	120,470

Fuel volumes for the period 2011 through 2016 have been provided by McKinney Air Center. As noted, the annual fuel volumes for 2011, 2012 and a portion of 2013 were from the prior privately-held FBO operation. It is also important to note that in 2012, the loss of HP as a based tenant created the significant reduction in fuel sales. However, 2015 and 2016 have each shown significant increases in fuel sales with the addition of Toyota and aggressive marketing by McKinney Air Center. The table indicates an increase of over 76% in Jet fuel from 2011 to 2012.

McKinney Air Center	
Annual Fuel Volume	
Fiscal Year	**Total Fuel**
2011	1,181,765
2012	858,973
2013	853,010
2014	888,025
2015	1,144,654
2016	1,354,562

3.4 OVERVIEW OF FIXED BASE OPERATION

According to the FAA, a Fixed Base Operator (FBO) is a business granted the right by an airport sponsor to operate on an airport and provide commercial aeronautical services such as aircraft refueling, aircraft storage (hangar), tie-downs and parking, aircraft rental, aircraft maintenance, and flight instruction. In November 2013, the City of McKinney became the sole source FBO operator on the field and fully manages the service operation known as the McKinney Air Center.

McKinney Air Center provides aircraft refueling & ground handling, executive terminal facilities including air crew and passenger amenities, and aircraft hangar/office space, tie-down rental and other miscellaneous services to both based and itinerant aircraft at TKI. Monarch Air provides aircraft maintenance and repair services at TKI. They are an approved Cessna Citation Service and Parts Center and provide a wide range of maintenance services on other piston, turbine and jet aircraft. Monarch Air also offers flight instruction, aircraft sales, and aircraft charter services. There are also a number of smaller flying clubs and other aviation businesses such as Select Avionics that service aircraft radios, navigation equipment and electronics. ATP provides additional flight training on the field, which is part of the nation's largest chain of flight schools.

This delineation of various services is now the most commonplace scenario for general aviation airports. As such, McKinney Air Center is typical of today's FBOs whereby most operators have focused on fuel sales and real estate including hangar rental, tiedown and office space. In most airport scenarios like McKinney, other services such as maintenance, flight training, aircraft sales and other services are offered by a number of independent businesses around the field. This

concept, sometimes called the "airport mall" approach has been the growing trend in the past two decades. The primary core business of most FBOs is fuel sales, with the greatest return coming from the sale of jet fuel to itinerant aircraft utilizing an airport. However, key based tenants and their consistent long-term hangar rental are the more stable revenue producers that provide steady income every month. McKinney Air Center has a good mix of both itinerant fuel sales as well as several long-term hangar and office tenants who are the solid base of the future of the operation.

The current general aviation FBO terminal facilities at McKinney Air Center are in good condition and well maintained; however, they are a bit dated and in need of a significant upgrade to be compared to today's more modern FBOs. Aircraft parking and ramp operations space is currently over crowded and has now become a limiting factor for future aircraft capacity. In addition, this lack of key itinerant ramp space could become an operational safety issue in the near future. While the FBO has no on-airport competition as the sole source FBO, they do compete heavily with other airports in the region as noted in the upcoming section on competitive airports.

The McKinney Air Center leasehold consists of the general aviation terminal/office complex and associated hangar facilities constructed by other entities that subsequently sold the operation to the City. In addition, there are a number of hangars and other facilities constructed by the City/Airport or other tenants. While the FBO is technically a part of the Airport operation, it is our recommendation that it should be considered a tenant of the Airport and managed as a separate operation. This will be discussed further in relation to management, control, and financial issues.

It should be noted that under the City's control, McKinney Air Center has consistently received numerous accolades directly from customers as well as from prestigious trade publications and industry organizations. McKinney Air Center was named as the number one Fixed Base Operation in the nation in the 2016 FBO Pilot Choice Awards.

In general, McKinney Air Center is quite competitive and typically aggressive in its marketing and management strategies. Equipment, fuel storage and other resources are well managed and adequate for the current business base. There will be more discussion of facilities and equipment in future sections of this report. However, at the present time service levels are high and the value versus pricing of services equation is excellent. At the time of this writing, the average posted retail price for Jet-A ranged from approximately $4.00 to $6.00 per gallon for full service fuel delivered to the aircraft. In this case, some of the airports at the low end are not that competitive with TKI, but for the critical airports such at DAL and ADS, where most of the jet traffic is currently housed, TKI is positioned just above the median for fuel pricing at $5.35. This puts TKI above the airports further out, but just below DAL and ADS at $5.80 and $6.00, respectively. This is a good "sweet spot" for McKinney Air Center and it appears that the pricing strategy is well thought-out. The sales levels and margins for based and itinerant fuel sales are reasonable and logical based on tenant leases and other factors in the marketing of fuel and other related ground services. There may be some need for changes in some areas, particularly when the new terminal facilities are completed. There will be more on this concept later in the facilities section of this document.

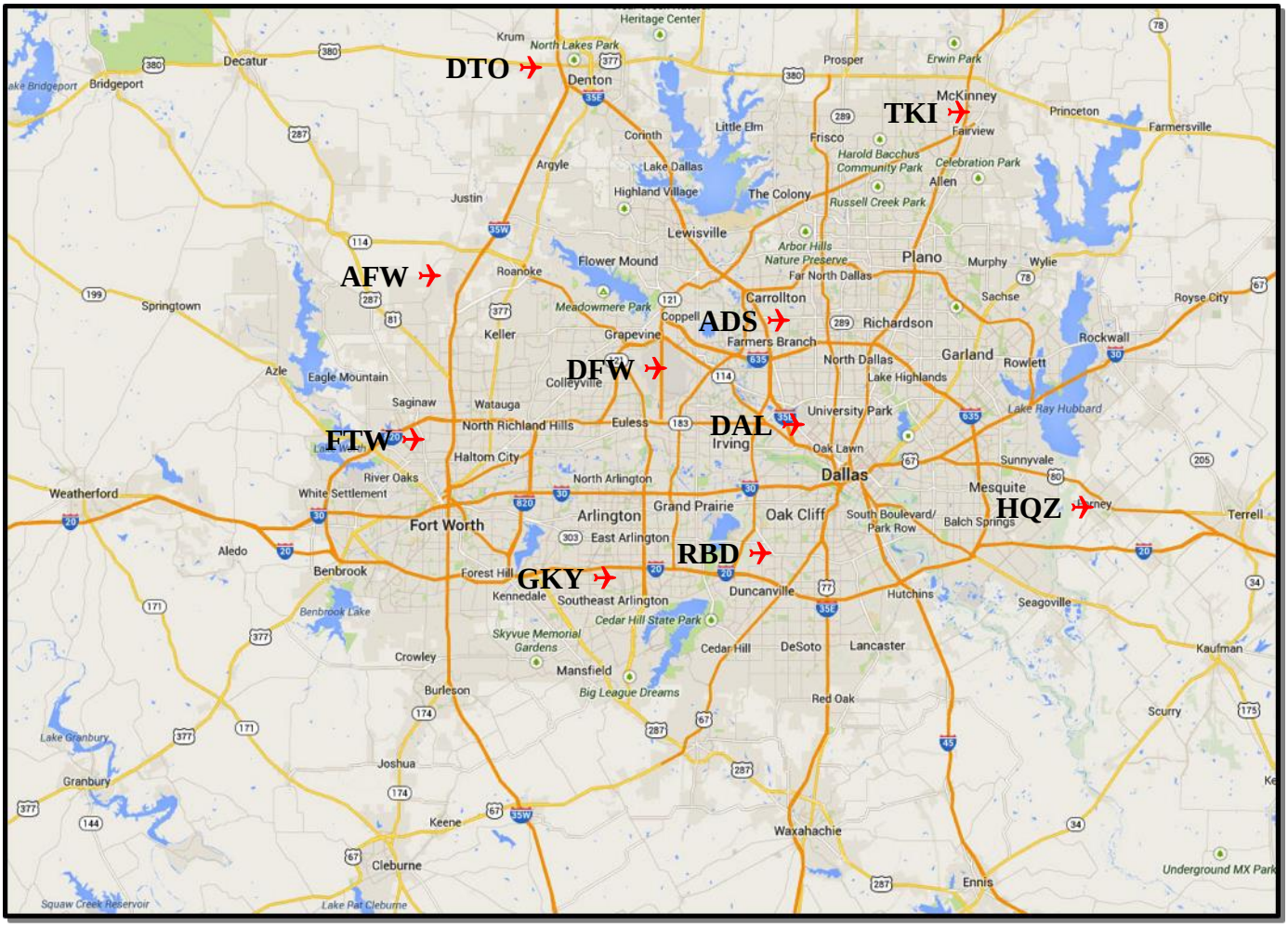
3.5 COMPETITIVE AIRPORTS

a. Regional Airports and Service Providers

The Dallas Metroplex is surrounded by a number of airports serving the various areas and communities in the north-central region of Texas. The majority of the public use airports in the region are owned and operated by government agencies including cities, counties or other hybrid controlling entities.

Dallas is a major regional and national hub for both commercial and private air transportation. In addition to being the home city for both American Airlines and Southwest Airlines, the two commercial airports support numerous national and international destinations via nonstop flights. The area has one of the largest concentrations of general aviation aircraft, in the nation, private jets in particular. Texas is second only to California in terms of based aircraft with 29,041 registered aircraft. The area also supports significant air cargo, and overnight package transport via several integrated air carriers.

The critical major transportation infrastructure within Dallas, besides the roads and rails, is the airport system. Two commercial service airports serve Dallas: Dallas/Fort Worth International (DFW) and Dallas Love Field (DAL). In addition, there are eight key general aviation airports in the region, including McKinney National (TKI), Denton Municipal (DTO), Addison (ADS), Mesquite (HQZ), Dallas Executive (RBD), Arlington (GKY), Fort Worth Meacham (FTW), and Fort Worth Alliance (AFW). The following offers a graphic depiction of the location of each key airport in the Dallas/Fort Worth Metroplex.



The regional communities surrounding most of these airports include a mixture of light and heavy industrial businesses, business campuses, housing areas, and technology related organizations. Most airports are surrounded by major development including both housing and industry. Some of the outlying airports represent a more semi-rural demographic. Due to Dallas' strategic transportation center location, and the diverse economic influence of manufacturing, service, health care, agriculture, and technology, the entire Dallas/Fort Worth region is expected to show continued steady growth in the future. This steady growth bodes well for airports and their associated properties and tenants.

b. Dallas Metroplex Regional Role in Aviation

The Dallas Metroplex, which includes the counties of Collin, Dallas, Delta, Denton, Ellis, Hunt, Kaufman, Rockwall, Johnson, Parker and Wise, has the highest concentration of general aviation aircraft in Texas, with over 9,300 aircraft registered. The Houston area, including the counties of Austin, Brazoria, Chambers, Fort Bend, Galveston, Harris, Liberty, Montgomery, San Jacinto and Waller, is the next closest region with just over 6,100 aircraft registered. The State of Texas has the second largest population of aircraft in the nation with nearly 30,000 aircraft. General aviation in the area is represented by not only the larger number of based aircraft, but also represents significant aircraft manufacturing, refurbishing and modification, national and international air cargo, and with DFW, one of the busiest major commercial hub airports in the world.

In addition to air transportation, Dallas is at a crossroads of other major modes of transportation and as such the area is a critical point of infrastructure for the entire nation and this has a significant positive impact on aviation operations of all types. The outlook for aviation, particularly corporate aviation, in the Dallas region is very positive with significant growth predicted for both the near and long term.

c. Key Airports

In this analysis, we will discuss a number of airports that are reasonably competitive and/or key to the analysis of the regional marketplace. *ABS* looked at all the airports in the region and identified ten critical airports around the greater Dallas/Fort Worth area. The following airports have been designated as the key competitors within approximately 35 nautical miles of the central business and financial district of Downtown Dallas. For baseline comparative reasons, we have also included the similar data for McKinney National Airport. It is important to note that the nine airports competing with McKinney Air Center account for 18 other FBO facilities in the region.

- McKinney National Airport (TKI)
- Dallas Fort Worth International Airport (DFW)
- Denton Municipal Airport (DTO)

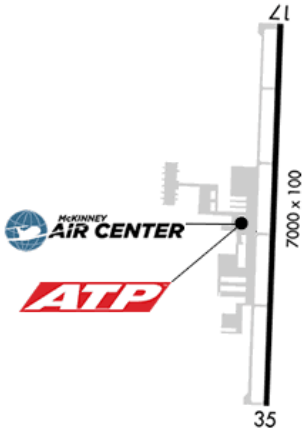
- Addison Airport (ADS)
- Dallas Love Field Airport (DAL)
- Mesquite Metro Airport (HQZ)
- Dallas Executive Airport (RBD)
- Arlington Municipal Airport (GKY)
- Fort Worth Meacham International Airport (FTW)
- Fort Worth Alliance Airport (AFW)

The initial analysis will focus on the comparable airports in the greater Dallas Metroplex. These airports are within a reasonable distance to the Dallas City center, whereas customers may consider choosing these optional airports and fixed based operators based upon airfield characteristics, services, and potential for re-positioning aircraft for various reasons. Not all of these airports would be considered a reasonable driving distance from Downtown Dallas for pilots and passengers, depending on time of day and traffic conditions. However, they all compete for air traffic on some level. To provide insight, the primary use of each airport is summarized, as well as the airfield characteristics, based aircraft, annual operations and key service providers. There are other airports within the region that are not considered primary competitors; however, all airports in the region compete at some level for various specialized services. (Note: The focus of this aspect of the analysis focuses on competition relative to its position to the Dallas CBD. While we recognize that many of the outlying airports compete more directly among themselves, and not directly with traffic serving downtown Dallas, it is our opinion that the overall competitive environment can be readily assessed through this analysis.)

McKinney National Airport

McKinney National Airport (TKI)	
Type Airport: General Aviation – Reliever	
Runway: 18/36 7,002' Long x 150' Wide	
Distance from Downtown Dallas: 30 M	
Based Aircraft: 286	
Annual Operations: 120,000	
Annual Fuel Volume: 1,354,562 Gallons	

Owned and operated by the City of McKinney, the McKinney National Airport, formerly known as the Collin County Regional Airport (FAA Identifier TKI), is located within the city limits of McKinney. TKI is 30 miles northeast of Dallas and is at an elevation of 588 feet. The airfield has a single runway and is a tower-controlled field. Runway 18/36 is 7,002 feet in length, 150 feet wide, and is asphalt/grooved rated in good condition. The weight bearing capacity of the runway is 450,000 pounds double tandem wheel. The Airport is capable of handling all typical corporate aircraft plus most narrow body commercial aircraft including Boeing Business Jets (BBJ). This Airport has an ILS/DME on 18, and a 4-Light PAPI system on both approaches.



According to the Airport Master Record, TKI has a total 286 based aircraft, including 16 jets, and an estimated 120,000 annual operations. The airport serves a full spectrum of small to larger (G-V and Global Express) aircraft. The sole source full service FBO is McKinney Air Center, which is owned and operated by the City. As of the date of our survey, the full service average price per gallon for fuel at TKI was $4.95 for 100LL/Avgas and $5.35 for Jet A. Self-service fuel for each category is $0.50 less per gallon.

With control of the airfield and the FBO strongly in the hands of the City, it is unlikely that a private entity would have the opportunity to either develop a new facility or acquire the existing City operation. While this is a growing region of the Metroplex and a high-quality airfield facility, it is not likely that the Airport would support a second operator within the foreseeable future.

Dallas Fort Worth International Airport

Dallas Fort Worth International (DFW)	
Type Airport: Large Hub – Commercial	
Longest Runway: 18L/36R – 13,400' Long x 200' Wide	
Distance from Downtown Dallas: 12 M	
Based Aircraft: None	
Annual Operations: 677,000	
Annual Fuel Volume: Unknown/Limited	

Dallas Fort Worth International Airport (FAA Identifier DFW) is publicly owned and jointly operated by an Airport Authority primarily comprised of the Cities of Dallas and Fort Worth. This is a large hub commercial airport that is located approximately 12 miles west northwest of the Dallas city center at an elevation of 607 feet. The Airport has seven runways that are constructed of grooved concrete and all are rated in good condition. To assist pilots, the facility has ILS/DME instrument approaches on several runways. The longest runway has a maximum weight bearing capacity of 850,000 pounds. This capacity would include all aircraft up to and including the largest commercial air carrier aircraft currently in operation. According to the Airport Master Record, there are no general aviation aircraft based on the field and there are an estimated 677,000 annual operations.

The sole source fixed base operation (FBO) is DFW Corporate Aviation, which is owned and operated by the Airport Authority. The FBO offers customers basic amenities including a passenger terminal, aircraft parking, and both full service 100LL/Avgas and Jet A fuel. At the time of this writing, the average per gallon fuel prices at DFW were $5.00 for 100LL/Avgas and $4.00 for Jet A. There are no based jets at DFW.

The primary role of this airport is as a very busy commercial hub airport. Due to the large volume of air carrier activity, DFW is not the field of choice for corporate aviation unless there is a

specific need to land at this field. This would include passenger connections to national and international commercial flights, or passenger business in the immediate area of the field. This airport is not considered to be a potential threat to other general aviation facilities in the region.

Denton Enterprise Airport

Denton Enterprise Airport (DTO)	
Type Airport: General Aviation	
Runway: 18/36 – 7,002' Long x 150' Wide	
Distance from Downtown Dallas: 35 M	
Based Aircraft: 460	
Annual Operations: 165,000	
Annual Fuel Volume: 1,511,034	

Denton Enterprise Airport (FAA Identifier DTO) lies approximately 3 miles west of the Denton City center and 35 miles north of Dallas. This is a tower-controlled airport that sits at an elevation of 642 feet. DTO is home to approximately 460 aircraft, including 36 jets, and according to the Airport, had over 165,000 operations in 2015. The current based jet population at DTO is limited to mid size corporate aircraft and below. To accommodate based and transient aircraft, the Airport maintains one asphalt/grooved runway in fair condition. Runway 18/36 is 150 feet wide and 7,002 feet in length. The single runway has a weight bearing capacity of 100,000 pounds double wheel and contains a precision ILS and a 4-light PAPI visual slope indicator on runway 18. This runway is capable of handling corporate aircraft up to a Gulfstream-V (G-V) category aircraft, which has a typical max takeoff weight of approximately 90,000 lbs.

There are two FBO facilities on the field: US Aviation and BusinessAir. Both FBOs are full service facilities offering aircraft refueling, hangar and ground handling. The current average full service price per gallon for fuel at DTO was $4.55 for 100LL/Avgas and $3.30 for Jet A.

Of the ten key airports studied, this airfield is the farthest from the Dallas city center. It is in a semi-rural portion of the northeast Dallas Metroplex. The Airport is located within an industrial development area that includes major manufacturing and distribution facilities for Target Stores, Fastenal, and Peterbuilt Trucks. In addition, the University of North Texas has a campus adjacent to the Airport.

Addison Airport

Addison Airport (ADS)	
Type Airport: General Aviation - Reliever	
Runway: 15/33 – 7,203' Long x 100' Wide	
Distance from Downtown Dallas: 15 M	
Based Aircraft: 550	
Annual Operations: 96,000	
Annual Fuel Volume: 6,500,000 Gallons	

Addison Airport (FAA Identifier ADS) is located 9 miles north of the Dallas city center, and is the most proximate and competitive to TKI. The Airport is a tower-controlled facility that is owned and operated by the Town of Addison. ADS has a single asphalt paved runway in good condition according to the FAA. Runway 15/33 measures 7,203 feet in length and is 100 feet wide and contains an ILS/DME on both runway approaches. The runway is rated at 120,000 pounds double wheel capacity, making it capable of handling all corporate aircraft and some smaller BBJs such as the B-737.

According to the Airport Master Record, the Airport reported 94,000 annual operations and is home to 550 aircraft, including 162 jets. The current population of jets at ADS includes all sizes of corporate aircraft up to and including a B-737 BBJ. The two key service operators on the field are Million Air Dallas and Atlantic Aviation. Each facility provides aircraft fuel, hangar rentals and general ground handling. Average fuel prices at ADS at the time of this writing were $6.90 for 100LL/Avgas and $6.00 for Jet A.

While this Airport is currently landlocked with aviation-related properties, the Town of Addison recently signed a lease with BA Group to develop 15 acres of land at ADS. The plans call for an ultimate build-out of the parcel including 120,000 square feet of hangar space, 6.9 acres of ramp and 22,000 square feet of office space. BA Group is in the midst of an RFP process to select an FBO developer/operator for the project.

It is important to note that this is one of the busiest corporate landing facilities in Dallas and second only to Dallas Love Field for based jets. In addition, while the Airport currently reports significant fuel volumes of over 6.5 million gallons, in 2006, prior to the economic downturn, there were over 8.5 million gallons of fuel delivered at ADS. It is believed that in the next 5 to 10 years this market will return to its pre-recession level due to the new hangar development.

Dallas Love Field Airport

Dallas Love Field Airport (DAL)	
Type Airport: Commercial -General Aviation	
Longest Runway: 13R/31L – 8,800’ Long x 150’ Wide	
Distance from Downtown Dallas: 5 M	
Based Aircraft: 267	
Annual Operations: 224,000	
Annual Fuel Volume: 16,500,000 Gallons	

Dallas Love Field Airport (FAA Identifier DAL) is owned and operated by the City of Dallas. At an elevation of 486 feet, Dallas Love Field Airport is located 5 miles northwest of downtown Dallas. DAL is a tower-controlled airport that is home to approximately 267 aircraft, including 230 jets, and the FAA Master Record indicates that there are approximately 224,000 operations annually. The Airport is home to a wide range of corporate jets up to and including BBJ category aircraft. The airport is a major hub and home base for Southwest Airlines. Commercial airline flights have increased significantly since the repeal of the Wright Amendment, which limited air carrier activity.

To accommodate the based and transient aircraft, the Airport maintains three runways, all in good condition. The primary runway is 13R/31L and is 8,800 feet in length and 150 feet wide. This runway has a maximum weight bearing capacity of 350,000 pounds double tandem wheel. This airport can handle all aircraft up through most narrow body air carrier aircraft. To assist pilots landing, there are ILS/DME approaches on both ends of the two parallel 13/31 runway facilities.

There are currently five FBO service providers on the field, and each offers full service fuel, hangars, and associated ground handling services. The six operators are Signature Flight Support (2 leaseholds), Jet Aviation, Dalfort Fueling, Textar, and Business Jet Center. The two Signature facilities at DAL include the former AMR Combs complex and the former Landmark Aviation facility.

Business Jet Center appears to be the most competitive and one of the nicest executive terminal on the field. Textar is also a newer facility, although it is considered an inferior location. Textar is at the extreme west end of the airfield; however, it could be marketed as a

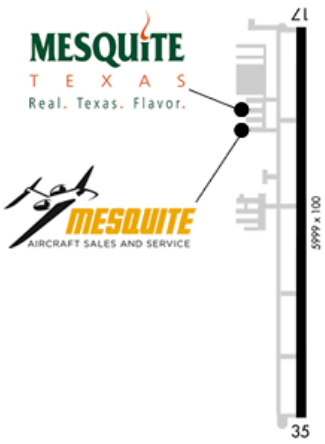
very secure location for security sensitive tenants. The terminal is nice and newer construction. However, this facility is part of an area being evaluated by the City of Dallas for location of a consolidated rental car facility. At the time of this writing, the average full-service fuel prices at DAL were in a range of $5.99 to $7.74 for 100LL/Avgas and $4.58 to $5.80 for Jet A. The lowest fuel prices posted on the field were from Business Jet Center.

Mesquite Metro Airport

Mesquite Metro Airport (HQZ)
Type Airport: General Aviation
Runway: 17/35 – 5,999' Long x 100' Wide
Distance from Downtown Dallas: 15 M
Based Aircraft: 173
Annual Operations: 71,000
Annual Fuel Volume: 272,000 Gallons

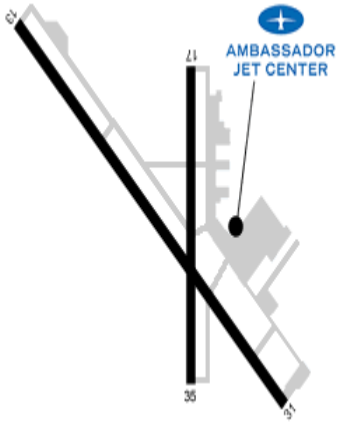
Located 3 miles east of Mesquite and approximately 15 miles east of Dallas, Mesquite Metro Airport (FAA Identifier HQZ) is owned by the City of Mesquite. HQZ is a tower-controlled airport that is situated at an elevation of 447 feet. To accommodate air traffic, there is one paved concrete runway in good condition. Runway 17/35 is 5,999 feet in length and 100 feet wide and is constructed of asphalt and listed at a weight bearing capacity of 100,000 pounds double tandem wheel configuration. This field will accommodate most corporate aircraft up to and including the Gulfstream-V. To assist pilots during adverse weather conditions, Runway 17 has a precision ILS/DME and a 4-box PAPI system on both approaches.

According to the Airport Master Record, the Airport has approximately 223 based aircraft and approximately 90,000 annual operations. Currently, there is only one based jet aircraft listed, which is a smaller class turbine aircraft. The limited service FBO on the field is Mesquite Metro Aviation. This operation, which is owned and operated by the City, offers services to Airport users including aircraft refueling and associated ground handling. The average full service 100LL/Avgas fuel pricing at HQZ was $4.15, while Jet A was $3.65.



Dallas Executive Airport

Dallas Executive Airport (RBD)	
Type Airport: General Aviation – Reliever	
Longest Runway: 13/31 – 6,451' Long x 150' Wide	
Distance from Downtown Dallas: 8 M	
Based Aircraft: 181	
Annual Operations: 43,000	
Annual Fuel Volume: 868,000 Gallons	



Dallas Executive Airport (FAA Identifier RBD) is located 8 miles south of downtown Dallas. The Airport lies at 660 feet and is a tower-controlled field that is owned and operated by the City of Dallas. The Airport is home to approximately 181 based aircraft, including 24 jets. The based aircraft population is currently comprised of mostly small to mid size corporate jets. According to the FAA Master Record, RBD has approximately 43,000 operations annually. To accommodate based aircraft and transients, there are two asphalt runways: Runway 17/35 is 3,800 feet in length and 150 feet wide in good condition, while Runway 13/31 which is 6,451 feet long and 150 feet wide. The airfield has an ILS approach on Runway 31 and 4-Light PAPI on 13. Runway 13/31 has a weight limit of 110,000 pounds double tandem. This runway will accommodate most corporate aircraft in the small to larger range including G-V type aircraft. The

facility could also handle a BBJ (B-737) size aircraft, but on a limited frequency basis. After the City recently purchased the leasehold of Jet Center of Dallas, a former FBO at RBD, there is only one FBO entity on the field, Ambassador Jet Center. Ambassador operates a clean and well-maintained facility, and offers aircraft refueling, hangars, and associated ground handling for all types of aircraft. At the time of this writing, the full-service fuel prices at RBD were listed at $4.55 per gallon for 100LL/Avgas and $3.75 per gallon for Jet A.

It should be noted that in early 2017, the City recently issued an RFP for a management contracts to provide fueling, ground handling, and facility management services from the Airport terminal. The RFP was recently pulled back to accommodate a restructuring of the requirements, and is expected to be reissued in the next couple of months. The City is also in the process of developing an area of the west side of the field that will ultimately serve as the location of a new FBO, as well as multiple hangars and an aircraft manufacturing or service facility.

Arlington Municipal Airport

Arlington Municipal Airport (GKY)	
Type Airport: General Aviation – Reliever	
Runway: 16/34 – 6,080' Long x 100' Wide	
Distance from Downtown Dallas: 20 M	
Based Aircraft: 255	
Annual Operations: 88,000	
Annual Fuel Volume: 1,300,000 Gallons	

Arlington Municipal Airport (FAA Identifier GKY) is located 4 miles south of the town of Arlington and 20 miles southwest of downtown Dallas. The Airport lies at 628 feet and is a tower-controlled field that is owned and operated by the City of Arlington. The Airport is home to approximately 255-based

aircraft, including 7 jets, and according to the FAA Master Record, has approximately 88,000 operations annually. The single runway at GKY is 16/34, which is 6,080 feet in length, 100 feet wide in good condition. The airfield has an ILS/DME approach on Runway 34 and 4-Light PAPI on both runway approaches. Runway 16/34 has a very limited weight restriction of 60,000 pounds single wheel. This airport is limited to aircraft in the small to high-mid range including the Bombardier Challenger CL604, which has a maximum takeoff weight of approximately 50,000 lbs.

The sole source FBO on the field is Harrison Aviation, which operates a modern and newly remodeled facility. The operator offers aircraft refueling, hangars, and associated ground handling for all types of aircraft. At the time of this writing, the average full service fuel prices at GKY were listed at $4.99 per gallon for 100LL/Avgas and $4.60 per gallon for Jet A.

The south side of Dallas, including Arlington is a growing part of the Metroplex. However, the market at GKY has not yet matured into a serious contender to compete for the jet traffic utilizing the other airports in the region. Although Arlington is home to major league stadiums for both the Texas Rangers and Dallas Cowboys, the air traffic associated with these venues is very limited. There is land available at GKY for greenfield development; however, the field currently and in the near future, will only support one FBO.

Fort Worth Meacham International Airport

Fort Worth Meacham Airport (FTW)	
Type Airport: Commercial-G/A Reliever	
Longest Runway: 16/34 – 7,502’ Long x 150’ Wide	
Distance from Downtown Dallas: 32 M	
Based Aircraft: 382	
Annual Operations: 126,000	
Annual Fuel Volume: 4,500,000 Gallons	

Fort Worth Meacham International Airport (FAA Identifier FTW) is located 5 miles north of Fort Worth and 32 miles west of downtown Dallas. The Airport lies at 710 feet and is a tower-controlled field that is owned and operated by the City of Fort Worth. The Airport is home to approximately 382-based aircraft, including 109 jets, and according to the FAA Master Record, has approximately 97,000 operations annually. The based jets on the field include nearly all types of corporate aircraft including many larger aircraft in the Gulfstream and Global Express category.

To accommodate based aircraft and transients, there are three runways, 16/34 which is 7,502 feet in length and 150 feet wide in good condition, Runway 17/35 which is 4,005 feet long and 75 feet wide, and 9/27 which is 4,005 feet long by 75 feet wide. The airfield has precision ILS/DME approaches on both ends of 16/34. Runway 16/34 has a weight limit of 350,000 pounds dual double tandem. This airport can handle all aircraft up through most narrow body air carrier aircraft.

There are two FBO entities on the field, Texas Jet and American Aero, which is a Signature Select location. The Texas Jet facility is old but well maintained and is always recognized in the industry as a service leader. American Aero just recently opened a new 85,000 square foot terminal/hangar complex, and is now currently one of the newest FBO facilities in the region. Each FBO at FTW offers aircraft refueling, hangars, and associated ground handling for all types of aircraft. At the time of this writing, the average price range for full service fuel at FTW was from $5.39 to $5.99 per gallon for 100LL/Avgas and $4.46 to $4.99 per gallon for Jet A.

While FTW was a full commercial airport with significant air carrier activity at one time, the field is now primarily a general aviation reliever with additional industrial aviation support activities such as aircraft completions and refurbishment. Texas Jet and American Aero/Signature dominate the market, and it is our opinion that this market is essentially a two FBO airport.

Fort Worth Alliance Airport

Fort Worth Alliance Airport (AFW)	
Type Airport: General Aviation – Reliever	
Longest Runway: 16L/34R – 9,600' Long x 150' Wide	
Distance from Downtown Dallas: 35 M	
Based Aircraft: 27	
Annual Operations: 119,000	
Annual Fuel Volume: Not disclosed	

Fort Worth Alliance Airport (FAA Identifier AFW) is located 14 miles north of Fort Worth and 35 miles west-northwest of downtown Dallas. The Airport lies at 721 feet and is a tower-controlled field that is owned by the City of Fort Worth and operated by Hillwood Properties. Hillwood Properties is an entity of the Ross Perot group of companies. The Airport is home to approximately 27 based aircraft, including 8 jets, and according to the FAA Master Record, has approximately 119,000 operations annually. The current jets based on the field include mostly small to mid size aircraft, including several operated by the U.S. government for FAA and Border Patrol use. The primary function of this Airport is to support aircraft maintenance, air cargo operations and other aviation industrial manufacturing. The Airport is home to Bell Helicopter, BAE Systems, U.S. Customs and Border Patrol, FAA-AFS Flight Programs, and is also the southwest regional hub for FedEx.

To accommodate based aircraft and transients, there are two concrete runways, 16L/34R which is 11,010 feet in length, 150 feet wide in good condition, and Runway 16R/34L which is 8,220 feet long and 150 feet wide. The airfield has ILS/DME on both approaches to Runway 16L/34R and 4-Light PAPI on 16R/34L. Both runways have a weight limit of 870,000 pounds dual double tandem. This field can handle all commercial air carrier size aircraft including wide body heavy jets. There is one FBO entity on the field, Alliance Aviation Services which is a very nice facility that is operated by the airport management group (Hillwood). The FBO offers aircraft refueling, hangars, and associated ground handling for all types of aircraft. At the time of this writing, the average full service fuel prices at AFW were listed at $5.30 per gallon for 100LL/Avgas and $4.55 per gallon for Jet A.

While there is land available for greenfield development, it is unlikely that Hillwood would entertain an outside entity to develop a competitive FBO. Further discussions into the potential operation of a second FBO are unlikely.

d. General Observations of the Key Regional Airports

While there are other landing facilities in the region, this analysis focused on ten key airports within approximately 35 miles of the region's major financial area in the center of Dallas. In this analysis, these key airports stand out as the most competitive relative to proximity to Dallas and McKinney, comparable operations, pricing of services, and facilities. In addition to serving the needs of general aviation users across the entire spectrum of the industry, they are also the critical airports for business jet traffic in and around the area. Since this portion of the FBO business is critical to the long-term sustainability of each operator, they are central to this analysis. These airports include those just described: McKinney National Airport (TKI), Dallas Fort Worth International (DFW), Denton Enterprise Airport (DTO), Addison Airport (ADS), Dallas Love Field Airport (DAL), Mesquite Metro Airport (HQZ), Dallas Executive Airport (RBD), Arlington Municipal Airport (GKY), Fort Worth Meacham International Airport (FTW), and Fort Worth Alliance Airport (AFW).

The following table indicates the comparative data for each airport regarding their distance from the Dallas city center, proximity to McKinney and Collin County, longest runway, total based aircraft, based jets, annual operations, control tower, maximum landing weight, precision approaches, number of FBOs, and total general aviation fuel gallons.

KEY REGIONAL AIRPORT COMPARISON DALLAS METROPLEX AIRPORT SUMMARY											
AIRPORT	**ID**	**DIST. FROM DALLAS**	**LONGEST RWY**	**BASED A/C**	**BASED JETS**	**ANNUAL OPS***	**TOWER**	**MAX LANDING WEIGHT**	**PREC. APP.**	**NUMBER OF FBOs**	**FUEL VOLUME**
McKinney National Airport	TKI	30 M	7,002’	286	27	120,000	Yes	450,000	ILS DME	1	A – 186,763 J – 1,167,799
Dallas Fort Worth International	DFW	12 M	13,400’	0	0	677,000	Yes	850,000	ILS DME	1	Unknown
Denton Enterprise Airport	DTO	35 M	7,002’	460	36	165,000	Yes	100,000	ILS	2	A – 435,123 J – 1,075,911
Addison	ADS	15 M	7,203’	550	162	96,000	Yes	120,000	ILS DME	2	A – 576,421 J – 5,998,866
Love Field	DAL	5 M	8,800’	267	230	224,000	Yes	350,000	ILS DME	6	A – 800,000 J– 15,200,000
Mesquite Metro	HQZ	15 M	5,999’	173	1	71,000	Yes	100,000	ILS DME	1	A – 119,000 J – 153,000
Dallas Executive	RBD	8 M	6,451’	181	24	43,000	Yes	110,000	ILS	1	A – 129,098 J – 738,862
Arlington Municipal	GKY	20 M	6,080’	255	7	88,000	Yes	60,000	ILS DME	1	A – 280,000 J – 1,020,000
Fort Worth Meacham	FTW	32 M	7,502’	382	109	126,000	Yes	350,000	ILS DME	3	A - 750,000 J - 3,750,000
Fort Worth Alliance	AFW	35 M	11,010’	27	8	119,000	Yes	870,000	ILS DME	1	Unknown

*In some cases, annual operations data is derived from FAA 5010 Data and may be subject to estimates and/or data that may not be current.

e. Competitive Airport/FBO Ranking

ABS has analyzed the 10 key airports to compare location, infrastructure, facilities/services, and business opportunity. The nature of this competitive analysis scenario is based on the overall lines of business and general aspects of the various complex relationships between service, destination activities, airport infrastructure, community influence, and business/industry in the area, pilot/passenger amenities and other subjective factors that may not be easily quantifiable. Airports compete on a number of levels particularly for different types of services and users. Business jet operators have a particular set of needs when compared to the small personal aircraft owner. This is an example of two distinct market segments within the same airport or regional marketplace. Likewise, aircraft maintenance is a competitive service that also has different issues that set one airport or FBO apart from others. This segment is unique because of the nature of the airplane and the ability of the pilot to get his maintenance done at any number of airports within a wide radius from home base. Also, the type of engine or other equipment on-board may determine where maintenance is performed. In other words, one airport may compete with another airport for maintenance services, but competes with another for itinerant fuel services or other services.

Service levels being equal, airports may compete because of the length of the runway, the presence of a control tower or simply which one has the best food or is closest to home/business. While many of these market factors and competitive situations are typically under the purview and ultimate control of the FBO operator or other service businesses on the field, it is also critically important that the airport understand the different scenarios and how the Airport competes regionally for general aviation activity. In any competitive analysis, it is nearly impossible to factor in all of the variables of each scenario listed above and as such the following analysis is from an overall competitive environment, taking into consideration the unique nature of each airport and its general impact within the marketplace.

To assess each airport's competitive position and ranking in the region, the ten key airports were further analyzed for analytical ranking. The key airports were selected based upon their relative position in the marketplace and their direct impact on business aircraft activity in the region. To properly analyze these airports, a table was developed which ranks these competitive

airports by their most important attributes and opportunity for growth. On a scale from 1 to 10, with 10 being the highest, each airport was ranked for each primary attribute they offer and the prospective opportunities. In order to decide which attributes are the most important, a priority list was created and "weighted" since each attribute may not be equal in the eyes of a particular user or business model.

Location

According to our analysis, the first priority many pilots consider is location. Since the airports in the study are spread across the region, the central point for this analysis is proximity to the Dallas city center, with additional points for proximity to McKinney and Collin County. This proximity means driving distance from Dallas and local amenities, which impacts residents living in the region and itinerant pilots who will likely be staying or doing business in the Dallas area, particularly north Dallas. For instance, the closest airport to downtown Dallas received a score of 10 and the location attribute received a weight of 25. This means the airport closest in driving time to Dallas is Love Field and received 250 points (10 x 25) and the one closest to McKinney and reasonable access to Dallas was TKI, which received a score of 9 or 225 points. The facilities farthest away, Fort Worth Alliance Airport received a score of 1 or 25 points (1 x 25).

Infrastructure

The second priority is airfield infrastructure, such as runway length/pavement, control tower, and navigational aids. An airport without a runway capable of handling higher aircraft weight, takeoff distance, and/or approaches under adverse weather, would not rank as well. Those with precision approaches, particularly Instrument Landing Systems (ILS) would rank higher. This attribute is calculated based on a weighted average of 25 points times the infrastructure rank of 1 through 10.

Facilities/Services

The third attribute was available facilities and services, which takes into account FBO amenities such as quality of terminal areas, pilot lounges, conference rooms, flight planning rooms, availability of overnight hangar, as well as the FBOs commitment to customer service. To compare with TKI, comparable facilities must be able to compete for corporate jet aircraft activity. Facilities/services received a weight of 35.

Fuel Availability/Pricing

The final determining attribute was the availability of fuel, the number of fuel providers, as well as the pricing of fuel. Since self-service fuel appeals to smaller aircraft users, the ability to self-fuel during non-manned times also receives consideration, as did the opportunity to provide Jet fuel with trained full-service personnel and a mobile refueling vehicle. This final attribute received a weighted average of 15. This self-fueling attribute relates primarily to the smaller Avgas burning aircraft. However, it should also be noted that Jet-A self-fueling is seen by many of the turbine/turboprop operators as a negative or "reason to avoid" a particular airport because of a real or perceived lack of other support services that a turbine aircraft needs.

The following table depicts the attributes of each of the key competitive airports and shows the current ranking of each at the time of inspection by *ABS*.

KEY REGIONAL AIRPORTS - POSITION AND RANKING										
CATEGORY	**TKI**	**DFW**	**DTO**	**ADS**	**DAL**	**HQZ**	**RBD**	**GKY**	**FTW**	**AFW**
LOCATION (WEIGHT 25)	8=200	6=150	5=125	9=225	10=250	4=100	7=175	3=75	2=50	1=25
INFRASTRUCTURE (WEIGHT 25)	5=125	10=250	4=100	6= 150	8=200	1=25	3=75	2=50	7=175	9=225
FAC./SERVICES (WEIGHT 35)	10=350	2=70	5=175	8=280	9=315	1=35	6=210	4=140	7=245	3=105
FUEL PRICING (WEIGHT 15)	6=90	1=15	10=150	2=30	3=45	5=75	9=135	7=105	8=120	4=60
TOTAL WEIGHTED POINTS	765	485	550	685	810	235	595	370	590	415
AVERAGE RANKING	**7.25**	**4.75**	**6.00**	**6.25**	**7.50**	**2.75**	**6.25**	**4.00**	**6.00**	**4.25**

In addition to the other parameters, it is also important to note that the above rankings were derived within the context of how each airport competes for high-end turbine aircraft. This is critical, because corporate aviation activity is one of the key ingredients in establishing the feasibility or sustainability of FBO operations.

As indicated by the total points, TKI ranks 2nd out of 10, with a total of 765 points out of a possible 1,000. The average ranking of 7.25 for TKI is derived by adding all the ranks from each category, and dividing by 4, which is the total number of categories (8+5+10+6 = 29÷4 or 7.25). The areas in which TKI ranked above average were location (proximity to both Dallas and McKinney), and quality of services and facilities (additional bonus for planned new terminal). As a corporate/reliever McKinney ranks high as a Dallas destination location. The quality infrastructure, aggressive marketing, quality management and support by the City all provide the other tangible factors in the high ranking of TKI. However, there are risks that could change these factors including slips in service levels, failure to complete the new development of terminal and additional hangars, or the political pressure of, and perception of a monopoly that can be associated with a City/Airport managed FBO.

The other two airports that ranked high are Dallas Love Field (DAL) and Addison (ADS). Love Field ranks high for its infrastructure and for its substantial fuel volumes. It also ranks as a strong competitor due to the many chain operators on the field. Addison ranks slightly lower, but is still a strong competitor due to its location (proximity to Dallas and TKI) and its chain operators as well. Addison also has a new 15-acre hangar development property in the works, which will offer 120,000 square feet of new hangar space in the Dallas area. There are nearly six million gallons of fuel currently delivered to the users at ADS and over fifteen million gallons at DAL.

Dallas Executive, Denton, and Fort Worth Meacham are secondary level competitors, with Denton noted as more competitive to TKI than the other two. This is due to its proximity (north Dallas) and its overly aggressive approach to fuel pricing. Dallas Fort Worth International, Arlington, Mesquite, and Fort Worth Alliance are not considered to be strong competition at this point in time, due mostly to location and service levels.

f. Key National Chain Operators in the Market

The Dallas area has a number of the national FBO chains as part of the competitive marketplace. Major chains represented in the area include Signature, Jet Aviation, Atlantic, and Million Air. While none of these organizations has a dominant presence in the entire region, each entity plays a key role at one airport. Signature is the only operator that has multiple operations (3) in Dallas with two facilities at DAL, and its Signature Select operation, American Aero, at FTW.

It should also be noted, relative to chain operations, when comparing Texas-based operations to the chain FBO terminal across the nation none would be considered new or high-tech facilities. With the exception of the American Aero facility (Signature Select), none of the major chain facilities would be considered state-of-the-art. They are comfortable and often well appointed, but not the most modern. Most of the chain operations are focusing on new facilities in locations such as San Jose or Salt Lake City, as two examples. This provides an opportunity for McKinney Air Center to build the most state-of-the-art facility in the entire Dallas region, which has been included in the evaluation of the ranking of TKI and its FBO.

The strongest FBO competition in the region, in relation to McKinney Air Center, would include Signature at DAL, Business Jet Center at DAL, and Million Air at ADS. Signature, because of its massive presence in the industry, enjoys significant marketing and networking advantages. Business Jet Center is a worthy competitor because of its facilities, service levels, and local connections. Million Air ADS is also highly competitive because of its facilities, service levels, and location. However, McKinney Air Center is in a strong position to compete due to its location outside of the cluttered airspace at DAL and ADS, and because of its service levels and the planned all new high technology terminal facility.

3.6 MARKET OVERVIEW & GENERAL OBSERVATIONS

There are a number of initial observations related to this overview of the general aviation marketplace at TKI and the Dallas area. Some of these issues will also be discussed further in the SWOT (Strengths, Weaknesses, Opportunities and Threats) Analysis in Section 7. The following general observations were noted during our initial on-site meetings and subsequent review of data and interviews.

- McKinney Air Center has an outstanding reputation for award winning customer service and quality facilities, although they their recognition is somewhat tempered by the fact that they have only been operating under the current ownership and management since late 2013.
- There is always a continuing threat to the FBO due to its association with City Government and the industry bias towards privately owned on-airport businesses, in particular FBOs.
- There appears to be demand for additional corporate aircraft hangar space at TKI, which will initially be met by the new 10,000 square foot hangar already in process. Also, for longer-term storage, an additional 40,000 square foot hangar is being planned. Future demand will come from both new business entities in the North Dallas area, as well as from the move of corporate operators from the highly congested Love Field environment. However, the new facilities planned at ADS will need to be monitored for how they impact the market. To stay ahead of the addition of new hangar supply in the region, the 40,000-square foot hangar should be developed immediately to accommodate tenants waiting for space in the region.
- The airfield infrastructure is in excellent condition and the field has an active control tower.
- Meteorological conditions are generally favorable for year-round operations with a moderate number of inclement weather days.
- The community appears to be airport-friendly and/or neutral regarding noise and support issues.
- The City administration is committed to supporting the Airport and making changes to improve operations and marketshare growth.
- The area surrounding the Airport and community has close access to excellent industrial development opportunities.

- Due to the location of TKI, it has the best of both worlds, close enough to Downtown Dallas to be accessible, and just far enough away to be outside the cluttered Class B airspace.
- The FBO offers both 100LL/Avgas (aviation gasoline) and Jet-A (turbine/turboprop) fuels including both full and self-service systems.
- Fuel volumes have stabilized at TKI and have even seen significant improvement over the past two years.
- The current economic growth appears to be spurring new development and plans for more, as indicated by new facilities at FTW and ADS.
- The Dallas Metroplex economy is growing at this time and projected to continue to improve.
- The market is in need of a new and revitalized state-of-the-art FBO terminal facility
- The north Texas area is home to one of the largest concentrations of business aviation in the nation.

It is important to note that after our review of the competitive situation in the region, it is our opinion that TKI ranks well above average and is a strong competitor among all of the general aviation airports and FBOs in the competing area, particularly the northern area of the Metroplex. While others are simply maintaining a "status quo" of facilities and services, McKinney has the potential to take the lead position over other airports and take a greater share of the general aviation air traffic in the region.

It should also be noted that TKI currently has no scheduled commercial service. It is the opinion of *ABS* that it is unlikely that the Airport would see commercial service in the near to mid term. However, there is some activity and future additional demand for helicopter commuter service in the region due to the growth of the Metroplex and the automobile traffic issues within the region. This potential must be accounted for in terms of ramp and terminal space for turbine helicopter aircraft. Moreover, it is the consultants' opinion that the more likely future for the field is in air charter, small package cargo, and increased business aircraft operations and based aircraft, both turbine and piston.

4. PROJECTIONS FOR THE FUTURE OF TKI/MCKINNEY AIR CENTER

As identified in the data analyzed in *Section 1, Introduction and Background Data*, including the conservative data estimated by the FAA for overall general aviation growth, *ABS* has utilized this data as the baseline for our projections for McKinney National Airport. Since most of the FAA projections are based on national trends, this baseline is combined with the unique situation at TKI including the key issues that indicate better than average potential. National trends include areas of the county that have seen significant losses of general aviation aircraft, which skews the overall projections downward. In addition, FAA data is traditionally always extremely conservative. Texas, particularly Dallas and Houston, have seen much better trends in general aviation that typically exceed the national averages. As such, in the analysis of the future potential for the development and expansion of operations, services, based aircraft, and ultimately the financial success of McKinney Air Center, *ABS* has reviewed a number of sources for information related to key economic issues and industry factors. In addition to the FAA baseline data, information was reviewed including data from local Dallas airports, the General Aviation Manufacturers Association (GAMA), the National Air Transportation Association (NATA), the National Business Aviation Association (NBAA), American Association of Airport Executives (AAAE) and Aircraft Owners and Pilots Association (AOPA). In addition to the industry data from the key associations, *ABS* also relied on the combined experience of its staff whose continuous work in aviation management and consulting represents over 150 combined years of airport and aviation business-related expertise.

As briefly identified earlier in this document, there are a number of critical issues that have been analyzed relative to current operations and the future potential of TKI and the McKinney Air Center FBO, particularly the local airport/community market situation, national economic trends, and the overall industry-wide and local general aviation historical and projected growth. When estimating the future market potential, and therefore the future success of the FBO, several key items should be considered when estimating future growth. These key elements include:

- A professionally managed, and community supported Airport/FBO: McKinney Air Center has the benefit of being a part of a dynamic and growing City. While this can provide management and logistical issues, the situation at TKI appears to be one of strength and support for aviation. Financial considerations are always an issue, and part of this business plan is to discuss how the FBO must be a stand-alone entity. Community support for the Airport appears to be strong with numerous civic and private organizations operating as advocates for Airport growth. There does not appear to be any significant noise concerns that would constitute a significant threat to the field. Of particular importance to the future of the Airport is the significant industrial growth and land use planning occurring in the area surrounding the field.

- Excellent airport infrastructure: TKI includes a landing facility that is 7,002 feet in length, in good condition, and includes an all-weather precision Instrument Landing System (ILS/DME) and a control tower. While this situation is not unique to TKI, in that other comparable airports are similar, it does represent the understanding and commitment by the FAA that all the general aviation reliever airports in the Dallas are critical to the national airspace system. In addition, TKI is on the fringe of the very crowded Class B airspace of Dallas, and this allows aircraft to operate with fewer delays and easier access.

- Award winning Fixed Base Operation: McKinney Air Center offers well kept and clean passenger terminal facilities, and executive quality services, including full service aircraft refueling, ground handling, terminal amenities, and real estate services such as long-term hangar leasing and office space. Aircraft maintenance, parts sales, avionics services, aircraft sales, flight instruction, aircraft rental and charter are also available from other high-quality

vendors on the field. Currently, McKinney Air Center has an excellent working relationship with all the other support services on the field offering a seamless experience for all users of TKI. Comments regarding the quality of service at McKinney Air Center that are posted on various flight planning websites indicate a very high level and consistency of service standards at TKI. In addition, the newly planned high-tech terminal and hangar facilities will further enhance an already stellar reputation for the FBO.

- Sole source service provider: McKinney Air Center is the sole FBO service provider at TKI, with the City exercising its proprietary exclusive right to exclude FBO competition at the Airport. This proprietary exclusive extends to corporate fueling, with the FBO providing all fueling services to the corporate tenants on the field, to include Texas Instruments and Toyota.

- Positive regional economic environment: The overall economy and general outlook for the City of McKinney and the Dallas region is well ahead of the nation and will likely continue to grow at a rate above the average for the next two decades. The region has a very high quality of life and above average median household income. As shown in the previous subsections, the local population data, unemployment factors, transportation activity and business development activity in the area indicate a better than average growth rate for the Airport/FBO and its surrounding environs.

- National economic environment: While the continued political climate in Washington, D.C. is good fodder for the news media, in spite of all the financial bantering, the economy continues to grow. The three key stock exchanges are at levels not seen in decades, consumer confidence is improving, home foreclosures are decreasing and private funding is slowly becoming more available for research and development, small business development and other investments. The entire State of Texas, including the Dallas area, appears to be improving faster and stronger than many other areas of the nation.

- Population growth: The entire Collin County area will continue to grow due to the continued congestion around the Central Dallas area and the recognized shift of people who wish to

live in the northern part of the region and commute to the City. This movement of people to the north will result in greater population, including the movement of aircraft owners who will likely base their aircraft at TKI.

- Aviation growth opportunities: The growth in commercial activity and air carrier support services at DAL will continue to push general aviation to other less congested airfields in the region. As such, as the airports closer in to the Dallas city center become more and more congested, opportunities for both based and itinerant aircraft operations at TKI will improve. This is also true for aircraft transiting the region from the east and west that will avoid the Class B airspace, providing an opportunity to capture itinerant fuel sales for those users transiting the area.

- Aircraft ownership trends: Based upon historical data, in areas where there is significant energy related businesses and population, there is typically a higher level of aircraft ownership. This is true for both business and personal use aircraft including retired individuals who tend to own more private general aviation aircraft than other communities in the nation.

- Based aircraft opportunities: While all competitive airports in the region continue to heavily market themselves to *itinerant* operators of larger turbine aircraft, if TKIs new facility is marketed properly, the potential for new *based* jet tenants at the Airport are significant. The attraction of TKI has recently proven itself out with the addition of Toyota as a new long-term hangar tenant on the field. Toyota moved its U.S. based corporate headquarters to the region and now house their entire fleet at TKI. This is because of the quality of services, a good airport location, and the fact that McKinney is one of the best places in the nation for a great quality of life. We project that these opportunities will continue, and believe strongly that "activity breeds activity", particularly at general aviation airports like TKI.

Risks & Rewards

In addition to identifying the key unique positive traits of the Airport, there are always potential risks associated within an industry as complex as aviation and airports. As part of the overall market analysis herein we have identified some of those risks. It should also be noted that *Section 7* of this Airport Business Plan includes a detailed analysis of the *Strengths, Weaknesses, Opportunities and Threats* (SWOT) to the McKinney National Airport and McKinney Air Center FBO.

Within any data sampling and projection estimates, there is always the risk for unforeseeable events or actions outside the norm. Events such as acts of terrorism, disruptions in aviation fuel production, major national economic downturns, and other geo-political events that impact the nation can slow or stall any growth, and even reverse the trends. This was seen after September 11, 2001, and after the Wall Street financial crisis of 2008. The latter had the most impact on aviation, whereby airports, particularly in areas of the country that have volatile economies tied to manufacturing, such as Detroit, and other rural areas such as the central plains states, saw as much as a 50% decrease in general aviation activity. However, while no area is completely free of risk, the Dallas region is believed to be somewhat more resilient than other parts of the country because of its diverse economy, the tremendous business activity, and heavy presence of transportation activity as well.

Conversely, there are scenarios whereby the pent-up demand of years of slow growth could create economic boom and high growth of businesses and regional population, thereby creating increased aircraft activity and higher than projected demand for aeronautical facilities and related services. The one area that is particularly encouraging for the general aviation industry is the potential for resurgence in aircraft sales and manufacturing. While the initial increases will likely come from sales of larger jet aircraft for the international marketplace, the potential exists for sales of turbine aircraft to businesses and smaller aircraft in the light sport category. In addition, there are signs around the country that those individuals who essentially "locked up" their aircraft after 2008 for financial reasons, are beginning to fly again. This is due to improved consumer confidence, as well as a stabilization and reduction of fuel prices. The most likely scenario is an increased need for aircraft via fractional ownership, on-demand charter services, and new membership oriented

charter models such as *Wheels Up.* All of these factors will positively impact the general aviation fleet, including both mid-size and large jet aircraft with medium range and international capability.

It should also be noted that operations such as at TKI, there have been opportunities for limited commercial service to markets like Las Vegas for scheduled airline service. In this case, the Airport must have a contingency plan to support such an operator and/or other small package cargo haulers that may want to use TKI in the future. Large commercial activity is not expected in the near future, with increases in business likely coming in the form of business-related or after-market airplane support activities.

National Projections

Based on the historical data analyzed, the market and economic factors identified above and the related assumptions, *ABS* has provided projections for various segments of the local aviation marketplace at TKI. The first table presents the annual projected growth for several categories of activity for the total U.S general aviation industry. These are national projection averages. As such, some areas of the nation will see lower and some higher averages due to the local market conditions previously discussed.

AVERAGE ANNUAL GENERAL AVIATION NATIONAL GROWTH RATES (20 YEAR PROJECTIONS - FAA/GAMA)	
Category	**Average Annual % Change**
GENERAL AVIATION FLEET	
Single Engine Piston	-0.6%
Multi Engine Piston	-0.2%
Turbo Prop	1.3%
Jet	2.5%
Piston Rotorcraft	2.1%
Turbine Rotorcraft	2.3%
Experimental	0.9%
Light Sport	4.5%
GENERAL AVIATION HOURS FLOWN	
Single Engine Piston	0.8%
Multi Engine Piston	-0.6%
Turbo Prop	1.6%
Jet	3.1%
Piston Rotorcraft	2.1%
Turbine Rotorcraft	2.6%
Experimental	1.9%
Light Sport	5.0%
GENERAL AVIATION FUEL CONSUMPTION	
Aviation Gasoline (Avgas)	0.1%
Turbine Fuel (Jet-A)	2.1%
Mogas/Other	1.8%
U.S. PILOT POPULATION	
Students	0.3%
Light Sport	4.8%
Private	-0.6%
Commercial	-0.6%
Airline Transport	0.4%

McKinney National Airport Projections

The following tables represent the projections for various elements of the local Airport marketplace at TKI. While slightly more aggressive, on a percentage basis, than the FAA/GAMA national growth projections for general aviation, the projections herein are believed to be realistic and attainable for TKI based on the current market conditions, above the national average, and the assumption that certain aspects of this overall business plan are met and implemented. This will be particularly true for fuel sales projections. Projections herein are also based upon data provided by, and in conjunction with, the projections included in the Master Plan Update currently being prepared by *Coffman Associates*, and other aviation sources considered to be reliable and accurate.

BASED AIRCRAFT AND AIR OPERATIONS PROJECTIONS MCKINNEY NATIONAL AIRPORT				
Category	**2016**	**2021**	**2026**	**2036**
BASED AIRCRAFT				
Single Engine Piston	221	243	268	323
Multi Engine Piston	19	20	19	17
Turbo Prop	12	17	25	35
Jet	27	34	43	63
Helicopter	7	11	15	22
Total Based Aircraft	286	325	370	460
ADJUSTED OPERATIONS (Accounts for the traffic between 10:00PM to 06:00AM when the ATCT is closed)				
G/A Itinerant	41,185	45,675	52,185	63,000
G/A Local	82,590	89,145	99,225	119,385
Air Taxi	2,628	2,940	3,465	4,725
Military	90	105	105	105
Total Operations	126,494	137,865	154,980	187,215

ESTIMATED ANNUAL GROWTH RATES FOR FUEL SALES MCKINNEY NATIONAL AIRPORT		
Category	**Estimated Annual Increase 2017 – 2021**	**Estimated Annual Increase 2022 - 2026**
FUEL SALES		
Aviation Gasoline (Avgas)	2%	1.5%
Turbine Fuel (Jet-A)	3%	4%

Based Aircraft

In the next five years, through 2021, the total based aircraft at TKI is projected to increase by approximately 39 aircraft including 5 turboprops and 7 jets, for a total based aircraft count of 325. An additional 45 aircraft will be added by 2026, and 90 more by 2036. This results in a total population of 460 aircraft in twenty years.

Operations

Aircraft operations (take-offs and landings) are projected to increase by approximately 8.5% over the next five years resulting in an average increase over the period of approximately 2,300 operations per year. Total general aviation operations will increase by approximately 3,400 per year through year ten and beyond.

Fuel Sales

Aviation gasoline (Avgas) is anticipated to increase at 2% per year on average during the initial period, consistent with industry trends. Avgas will slowly transition over to a new low lead alternative in the next few years to mitigate environment issues with leaded fuel. As a result, the product volume will drop slightly in later years due to higher fuel costs and the fact that some aircraft owners will not bear the cost of aircraft modifications to meet new industry emission standards. Jet fuel sales will likely grow at a minimum of 3% per year due to the increases in based turbine aircraft and the addition of new itinerant jet operations increasing to 4% in the later projection years. A recast proforma is included in the Appendix of this report.

5. FACILITY ANALYSIS

ABS has reviewed the existing facilities at TKI, with particular emphasis on those related to the FBO operations and current service scenarios. As noted, the current FBO terminal and associated ramp area is well maintained and has historically been a very effective terminal facility. However, the structure is rapidly becoming inadequate for the growing business at McKinney. The terminal is in need of an upgrade to a larger and more modern, efficient building, with up-to-date technology and amenities that pilots and passengers expect. Amenities such as WiFi on the ramp, as well as in the terminal, allows pilots to check last minute flight data from the cabin or cockpit of the aircraft. These small but critical issues need to be addressed for the future of the operation. In addition, to terminal space and upgrades, the itinerant parking area around the existing terminal is too small to accommodate the number of aircraft using the facility. It is also too small to handle some of the more common larger turbine aircraft now and in the future. It is within this context that we fully agree with the plans to build the new terminal building, and to also add the additional 10,000 square foot hangar that is currently under development. As part of this document, we have discussed the more competitive facilities, with particular emphasis to those at DAL and ADS, who will continue to be most competitive facilities in terms of what is offered and how they are configured. More information regarding the specific configuration of the new terminal will be discussed later in this section.

New FBO Terminal Complex

The initial concept plan for the FBO called for a new terminal building to be new, but attached to the existing hangar facility that currently houses the primary operations of Monarch Air. While this original design was intended to take advantage of the proximity of the hangar and the logistics of a combined facility that houses aircraft maintenance, charter operations, and FBO terminal operations, there are some pros and cons relative to this configuration.

Pros

- Having maintenance and charter operations in the same facility makes for a seamless customer experience for a wide range of services and support.
- Access to charter operations also provides terminal and waiting areas in conjunction with the FBO entity.
- Access to the existing 44,000 square foot hangar may provide some initial itinerant hangar space for the FBO during inclement weather or for overnight hangar rental.
- The current location of the Monarch hangar is generally midfield, or approximately at the mid point of runway 18/36.

Cons

- A terminal attached to an existing hangar limits customer access. Having a freestanding terminal allows for better access for customers with multiple doors and entry points. Freestanding also allows for better sight lines and visibility and offers more area for glass and natural lighting.
- Being attached to a maintenance/flight school facility can have implications regarding use of the FBO space common areas for personnel other than the based and itinerant customers that the terminal is meant for. Coffee, newspapers, and other amenities that are key to jet customers are often taken advantage of by employees of the support tenant in the facility.

- Limited ramp space may be taken up by aircraft staging for maintenance and causing ramp congestion in areas needed for itinerant aircraft.
- Hangar space for itinerant aircraft may not be adequate depending on the space requirements of the existing support tenant. Conflicts may arise due to hangar space priorities. Also, overnight itinerant jet aircraft owners do not like having their aircraft housed in an area with maintenance and other functions going on around their aircraft.

It is recommended that conversations be initiated with Monarch Air relative to the future mix of the customers and employees from each entity to resolve plans for the use of all facilities including space allocation for the various hangar options and priorities. It is also recommended that alternative sites be considered for a stand-alone terminal development with an adjacent 40,000 square foot hangar in the immediate vicinity of the new terminal, but not as an attachment to the terminal.

Two alternative FBO terminal plans are included in the final portion of this section, including the attached/combined facility and a freestanding terminal structure.

Initial Concept (Terminal Attached to Existing Monarch Hangar)

As previously discussed, *ABS* has reviewed the various plans for the new terminal that will be attached to the existing Monarch Air hangar. The following page shows the first floor plan of the FBO identified as the preferred layout by FBO and Airport personnel. *ABS* concurs with this preliminary layout plan with a few recommendations for improving the functionality of the facility. **Note**: The area highlighted in blue has been modified to include recommended changes on the following page.

Based upon our over 150 combined years of management and analysis of FBO facilities, *ABS* offers the following recommendations for modifications to the above floor plan. These options are recommended for operational as well as aesthetic and functional reasons.

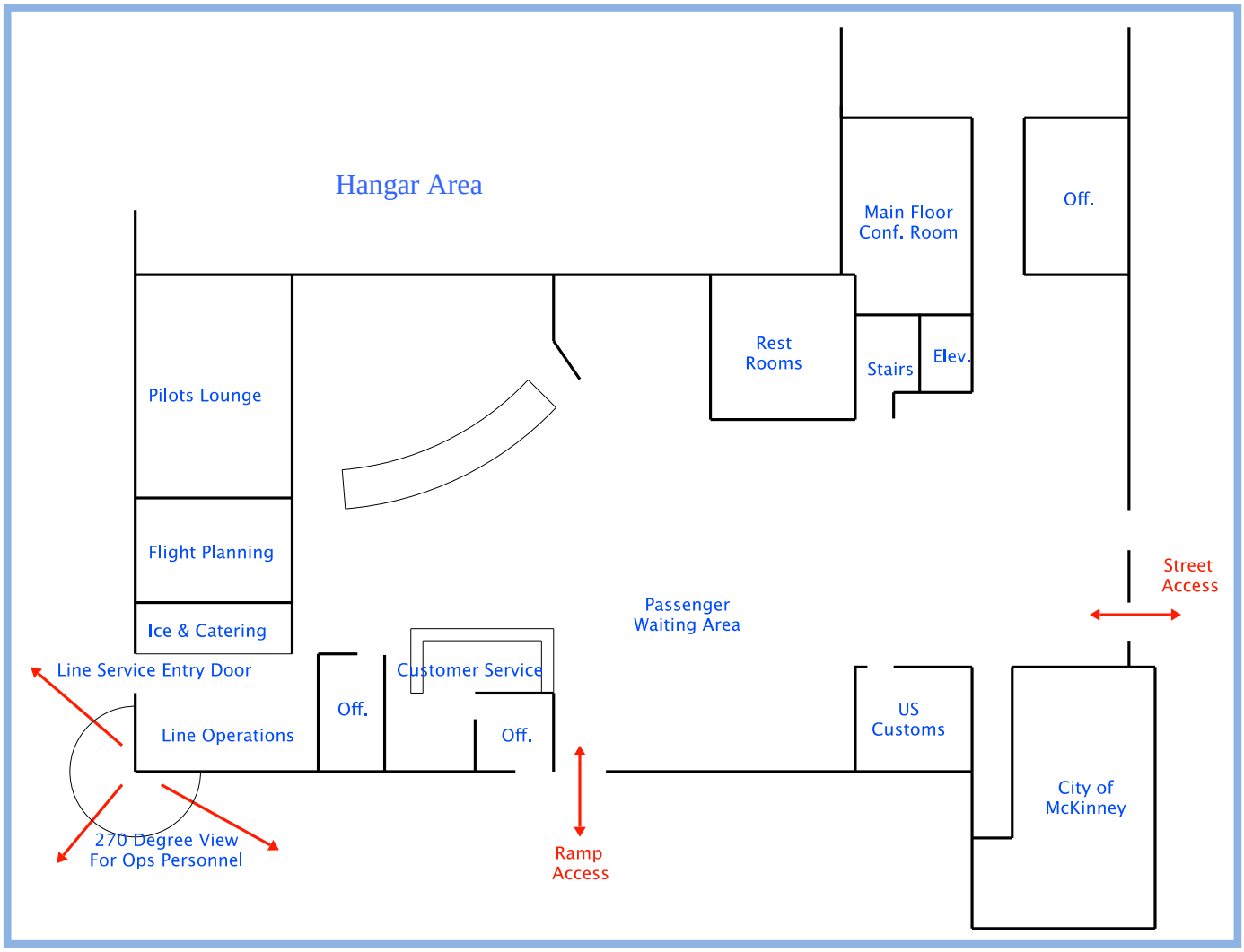
1. Remove the Maintenance Garage from the Terminal floor plan. The terminal area is primarily for high-end customer service areas and as such the cost per square foot to build is high. The use of this key space as a maintenance garage is not the highest and best use of this area. As shown on the following drawing, this area has an excellent view of the ramp area and would be better utilized for the pilot's lounge. This gives the pilots a view to the outside and makes them closer to the operations areas and line services including catering and ice equipment. The maintenance garage should be relocated to a separate lean-to building on the west side of the hangar, or as a separate structure.

2. Move the flight planning area from the back corridor on street side to the area next to the pilot's lounge as shown. This places flight planning closer to the pilot's prime activity area, and also allows for ramp views.

3. Put U.S. Customs in the office adjacent to the City's area so that they still have a view of the ramp for incoming aircraft.

4. Essentially, flip the line service areas, customer service areas and flight counter to the opposite side of the ramp entry door, and place the passenger waiting lounge to the north side of the ramp entry door. This places the key ramp personnel at the southeast corner of the facility, which allows them to have a full 270 degree view of the main ramp in front of the terminal and the south side of the hangar including the ramp in front of the hangar doors. It also allows a better view of aircraft arriving at the facility.

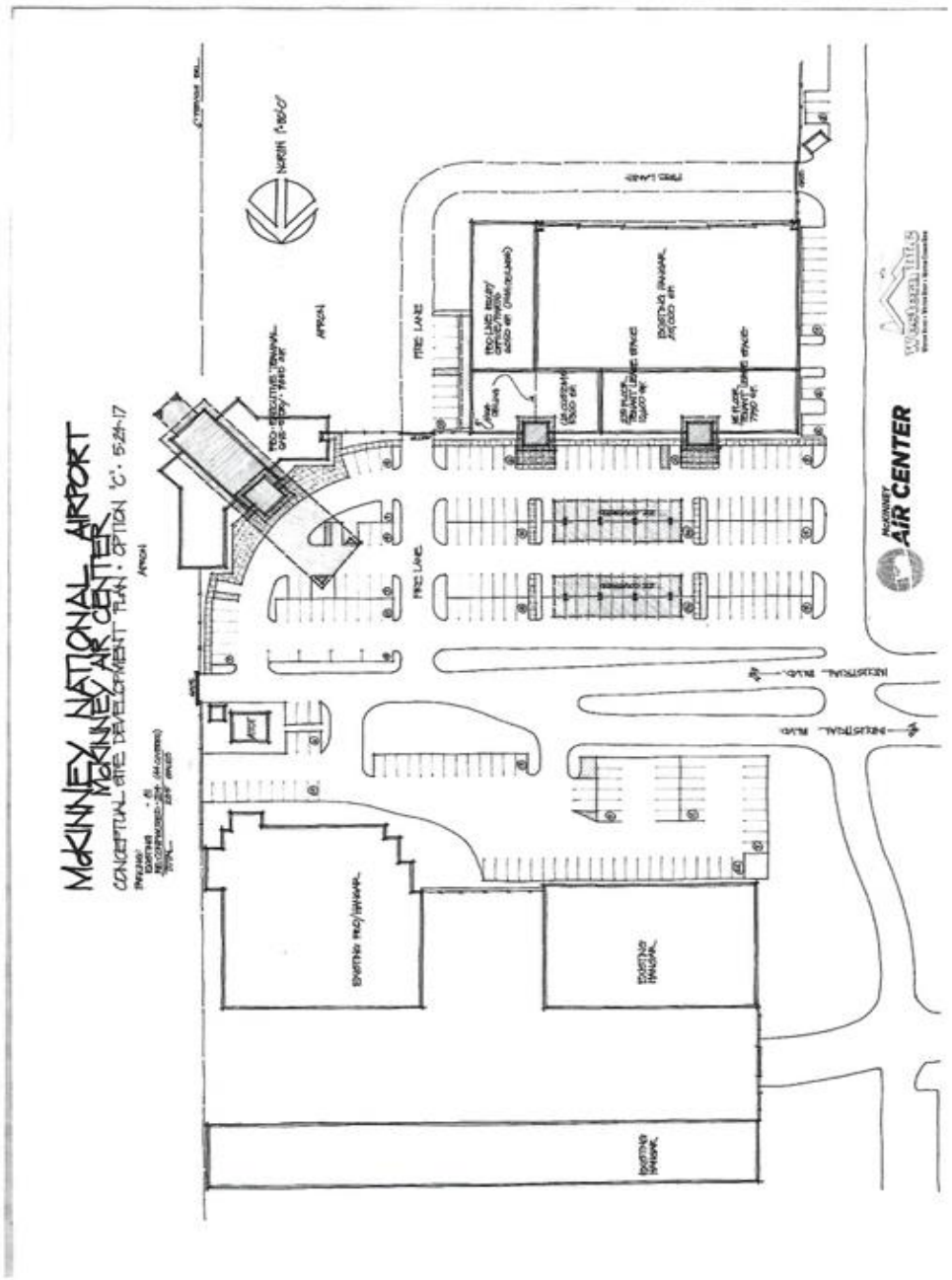
Recommended Modifications to Attached Executive Terminal Concept



The above configuration allows for better overall visibility to incoming aircraft, better access and visibility for pilots and more efficient operations and communication between Customer Service personnel and pilots/passengers. The area in front of the customer service counter is the central core of the terminal, and is the "beehive" of all flight activity. This modified plan puts the pilot's lounge, flight planning area, line operations, U.S. Customs, restrooms, and the stairs/elevator all within clear view and access to the "beehive".

Alternative Free-Standing Terminal

The following drawing depicts an alternative freestanding terminal as recently proposed by FBO/Airport/City management.



Free-Standing Terminal Analysis

As with the initially proposed attached terminal, there are pros and cons to the proposed free-standing terminal facility also.

Pros

- Excellent access from both airside, as well as street side.
- Makes the executive terminal stand out and be highly visible from taxiway.
- Allows for better light in the terminal with windows on all sides of the facility.
- Segregates itinerant operations from other functions.
- Facility is still located in the midfield, or the approximate center of the runway
- Better automobile parking options

Cons

- Aircraft parking space is somewhat limited on the east side of the building.
- There is no itinerant hangar close to the terminal for overnight transient aircraft parking.

Based on the aforementioned advantages, we recommend the construction of a freestanding FBO terminal for McKinney Air Center. However, consideration will need to be given to the placement of the new 40,000 square foot common hangar to reduce the amount of towing created by a remote itinerant hangar complex. No floor plan drawings were provided for the freestanding terminal, and as such, no evaluation can be made regarding the layout of this facility.

Recommended Terminal Amenities

Whether it is free-standing or attached to the Monarch Air hangar, the following are specific amenities that are recommended for the new terminal complex:

- Vestibule doors with automatic openers (particularly ramp access) to mitigate noise and jet blast. These doors must also be controlled by customer service for security.

- Numerous recharging stations in the pilot areas, customer waiting areas, and flight planning area for phones, tablets, e-readers and other equipment. This includes 110 power outlets, USB outlets, and a resource of extra loaner power cords located at the flight counter.

- WiFi through the facility, with emphasis on passenger and pilot common areas. We strongly recommend installing WiFi connection devices for wireless coverage that extends onto the primary itinerant parking area in front of the terminal. Pilots and passengers are increasingly in need of WiFi within the cabin of the aircraft on the ramp for last minute weather, travel planning, ATC clearance and other on-line services.

- Restrooms must be very well-appointed with entirely "touch-free" toilet fixtures, faucets, soap dispensers, and hand dryers. The final tenant finishes in the restrooms cannon be over emphasized. This is often the most neglected area of a new facility, and its importance is critical. Restrooms are utilized by every passenger and pilot and are often the first and last part of your facility that are used and remembered for their quality and cleanliness.

- Green facilities, in terms of environmental impact, are also in the limelight for new terminal facilities. Every effort must be done to make the new facility LEED certified. However, this may be difficult due to the attachment of the terminal to an existing, older hangar building.

- Extensive security cameras around the entire facility including ramp access areas, vehicle gates, main itinerant ramp, and terminal common areas. Monitors should be in the customer service area, line operations, and pilot lounges to allow for a view of vehicles and personnel

entering the area to alert pilots as to the arrival of their passengers. This is also a common and key security feature of the facility.

- In the vending area, there should be new and up-to-date snacks and drink machines that are high quality and clean. Some pilot and limited passenger areas (conference areas) should have Keurig type coffee brewing equipment and K-Cups for customers.

- Very popular now is cookie-baking equipment in the catering room to provide warm fresh cookies to passengers and pilots. It also makes the terminal smell great.

- The flight planning area must be equipped with high-end computers, with working printers for flight plans and other pilot needs such as airline reservations, hotels, e-mail and other business needs. The area may also include secured tablets for weather, Duats, and WSI. It should be noted how important it is for the printers hooked up to allow printing from both the tablets and desktop units. One of the most common complaints among pilot using flight-planning facilities is the lack of a quality and working printer.

- In general, the most predominate requirements from pilots, when asked about facilities/services, is that the FBO provide:
  - High speed WiFi, with a strong signal and good coverage around the facility, including the front ramp
  - Satellite/Cable TV with a wide screen in the pilot's lounge and passenger lounge.
  - Crew cars, primarily for use to access restaurants for lunch.
  - Comfortable pilot lounge with cameras/monitors that allow them to view the ramp, entry gate, and passenger lounge so they can monitor passenger arrivals.
  - Provide complimentary quality snacks such as fruit, sports drinks and granola bars for quick personal "refueling". This would only be in the pilot lounge area.

New Hangars

As noted in *Section 4 Projections*, and based also on the New Master Plan forecast, it has been determined that the TKI market will enjoy approximately 39 new aircraft over the initial five-year projection period from 2017 through 2021. While this includes a mix of single and multi-engine aircraft, turbine aircraft represent 12 of these new aircraft, including 5 turboprops and 7 jets. Historically, data suggests that all 12 of these turbine aircraft will require modern heated hangar facilities. The immediate construction development that is under way for a 10,000-square foot storage hangar (24-foot door height) will accommodate two to three of these new aircraft in the next 12 to 18 months. However, an additional hangar will be needed to accommodate the remaining new turbine aircraft. It is recommended that planning for the proposed 40,000 square foot hangar begin immediately with programming to include a plan for the hangar to come on-line no later than 3 years from now. This facility should offer a minimum 28-foot door height, to accommodate larger aircraft such as the Gulfstream 650. In addition to the hangar space, this facility should also include, at a minimum, a single-story lean-to with office and aircraft support areas that have direct access to the hangar floor. This area should represent approximately 6,000 square feet of space. Office build-out would be done only as needed to tenant specifications.

Key factors in the development of a common use hangar include:

- The region is in need of a new technologically advanced, energy efficient, green hangar facility that presents the "pride-of-place" that high end and very discriminating corporate users demand. The new hangar must also compete with the new modern development planned for ADS.

- Users also demand flexible office/shop space for their pilots and owners. This dictates that rental office areas other than the primary hangar envelope should be provided. This is typically done as a "lean-to" or rental space that is added on the street side of the hangar space. It is typically built as a shell only and then finished or built-out by the tenant on an as-needed basis.

- These facilities can also provide common areas for reception, restrooms, storage areas for tooling or aircraft provisions, and pilot's lounges.

- Given the propensity for intense heat and inclement weather in the area, especially in the summer months, you may want to consider some private parking garages or a carport attached to the new hangar. These spaces could be leased concurrent with the office and hangar space.

- The users of this type of facility are willing to pay significantly higher rental rates per square foot of finished buildings making an investment in this type of facility a better return for the City.

- There are also a segment of turbine aircraft operators who wish to be housed near the FBO terminal, airport restaurant, and where other itinerant operations are being handled. This is typical of FAR Part 135 Charter businesses or other on demand providers of aircraft who need a high visibility location. This 40,000-square foot hangar should be as close as possible to the new FBO terminal.

Individual Corporate or Box Hangars

With the development of the industrial property around the Airport, demand for additional segregated corporate hangar space will also grow, as demonstrated recently by the signing of a long-term lease with Toyota. The private construction of hangars is a great scenario from the perspective of the Airport, as it requires a smaller investment, and this scenario is becoming more common at public use airports. This scenario is driven by the demand for individualized facilities that fit the exact requirements of the tenant including their specific aircraft size(s). The continued development of a corporate hangar campus whereby aircraft owners can build, or have the City build, basic box hangars for their aircraft must be a priority. These type facilities are typically just a hangar envelope with basic services such as electrical, water and some restroom facilities. However, the primary function of a typical box hangar is essentially as a "garage" for a larger

aircraft. This would be typically marketed to aircraft such as cabin-class twins, turbo-props and smaller jets. Typical Box hangars are configured in three sizes:

- 60' X 60' – Cabin Class Twins or Single Engine Turbo-Props
- 80' X 80' – Small to Mid Size Jets and Larger Twin Turbo Props
- 100' X 100' – Larger Jets or Multiple Aircraft Scenarios

It is not recommended that the FBO/Airport build any box hangars at this time based on the recommendation for a new 40,000 square foot common hangar within three years. However, land use planning should provide the area and required infrastructure for additional corporate campus type box hangars and larger corporate hangars. The master plan calls for a significant amount of hangar space; however, these individual facilities are better developed on-demand.

T-Hangars

The projections also suggest that additional T-hangar development needs to be programmed into the capital improvement planning for at least 10 to 20 new T-hangars within the 3 to 5-year projection period. The number and size should be based on updated market studies performed every 6 months to determine regional demand and competitive rates. It is recommended that nested T-hangars be developed and that two sizes be considered, including small single engine hangars, plus those capable of handling small twin-engine aircraft.

It should be noted that from a real estate perspective, T-hangars typically do not have a high return on investment. With hangar rents, often in the $300 to $500 per month range, it is usually more expensive to park a car in a downtown parking garage than to house an aircraft at the local airport. This is due to the highly competitive nature of these types of hangars and the sensitive price point that aircraft owners are willing to spend. However, the rental of T-hangars often feeds other revenue streams such as fuel sales, fuel flowage fees, aircraft maintenance and other services. Because of these other revenue sources, it is important to meet the demands of hangar users in order to maintain the Airport's marketshare in the region. In some cases, there may be private developers in the area willing to invest in T-hangars from a real estate development approach. In

addition, public funding may also be a more financially realistic approach if the City has its own funding sources, as long as they do not take money away from the more critical facilities including the new terminal and 40,000 square foot common use hangar. The cost of money for a large municipal organization is typically lower than private industry. However, all funding options and approaches should be investigated.

6. FINANCIAL ANALYSIS

The following financial review is generally prepared within the context of the overall cash flow of the City-owned McKinney Air Center FBO. Our focus is on the controllable revenue and expenses related to the typical day-to-day operations of the FBO and its administration. Necessary financial information for facility construction or prospective debt service options were not provided to allow for a financial feasibility analysis, and are therefore not part of this analysis.

To evaluate the financial situation of McKinney Air Center FBO, the City/Airport provided *ABS* with the unaudited summary profit and loss (P&L) financial information for "McKinney Air Center" after acquisition by the City, as reported for the fiscal years (FY) ending September 30, 2014, 2015, and 2016. A review of this limited financial data shows a consistent profit trend through the three-year historical operations. The FBO has shown positive Earnings Before Interest, Taxes, Depreciation, and Amortization (EBITDA) ranging from $1,351,286 in FY 2014 to $2,084,328 in FY 2015, with a peak profit of $2,422,895 in FY 2016. These results indicate increases in earnings of 54% from 2014 to 2015, and 16% from 2015 to 2016. This is likely due to several factors, including improvements to the economy and corresponding aircraft activity, new tenants such as Toyota, and the high level of services offered by McKinney Air Center. McKinney Air Center is in a position to see continued gains in the future.

It should be noted that this analysis does not include the monies transferred to the City as a consolidation of FBO and Airport financial data. This analysis is only representative of the FBO's strength as a stand-alone entity. As noted, there is also no provision to present or future cost of new facilities including the new terminal and hangar that is in development. It is our opinion that this steady improvement trend in the financials, as shown on the following recast by *ABS*, indicates that even with the status quo, the FBO would continue to be reasonably successful. However, with the construction of additional hangars, and based tenants, the recast as shown could be significantly improved with additional hangars. That is the baseline assumption utilized in the analysis of the projections.

Overview of Financials from 2014 to 2016 and Projections (ABS Recast)

As a part of our analysis, *ABS* has prepared a financial recast of the unaudited financial detail from fiscal year ending September 30, 2014 through fiscal year ending September 30, 2016. This is similar to a review that would be conducted as if performing an assessment of the value of the FBO for an appraisal. This method allows a review of all of the line items and projects the revenues and expenses in a way that correlates to expectations, assumptions, reasonable projections, and the recommendations in the business plan implementation. Based upon an analysis of the existing marketplace, the opportunity for an improved financial situation looks very positive. The improvement in the FBO's aviation operations will come from a number of potential opportunities, but in general, the improvement will come from a strengthening economy and improved revenue streams including fuel sales to both based and itinerant aircraft operators. It is important to note that to more significantly improve the long-term strength of the FBO (and Airport) financially, it will require some investment in hangars and other facilities to enhance the marketability of the FBO and the airfield.

In the following table, a recast financial analysis has been performed based upon the consolidation of the various common and associated revenues and expenditures for the FBO. A brief description of each projection category, including cost of sales, expense and conclusions is provide after the table.

Note: Only actual revenues and expenses were considered in this analysis (depreciation, interest and amortization were excluded).

Financial Projections

McKinney Air Center - TKI
Recast Financial & Projection Analysis

Revenue By Department	2014	2015	2016	Year 1	Year 2	Year 3	Year 4	Year 5
Jet-A	$2,206,926	$2,816,008	$3,142,723	$1,800,000	$1,915,800	$2,036,928	$2,163,599	$2,296,038
Avgas	$645,968	$749,532	$758,544	$304,000	$319,770	$336,049	$352,852	$370,192
Negotiated Contract Fuel	$136,771	$142,125	$134,814	$140,000	$144,200	$148,526	$152,982	$157,571
Oil	$6,882	$7,069	$7,391	$8,000	$8,240	$8,487	$8,742	$9,004
Ramp Fees	$38,382	$41,050	$59,560	$190,000	$195,700	$201,571	$207,618	$213,847
Transient Storage Fees	$42,080	$43,813	$39,754	$260,000	$267,800	$275,834	$284,109	$292,632
Misc. Line Service Fees	$37,317	$83,782	$143,649	$145,000	$149,350	$153,831	$158,445	$163,199
Customs and International Refuse Fees	$9,000	$10,781	$22,900	$105,000	$108,150	$111,395	$114,736	$118,178
Hangar Leases	$1,333,938	$1,784,461	$1,985,578	$2,000,000	$2,060,000	$2,121,800	$2,185,454	$2,251,018
Land Leases	$103,888	$97,724	$103,407	$105,000	$108,150	$111,395	$114,736	$118,178
Other Misc.	$27,510	$11,051	$54,581	$55,000	$56,650	$58,350	$60,100	$61,903
Total Revenue	$4,588,662	$5,787,396	$6,452,901	$5,112,000	$5,333,810	$5,564,164	$5,803,374	$6,051,760

Cost of Sales	2014	2015	2016	Year 1	Year 2	Year 3	Year 4	Year 5
Jet	($1,423,835)	($1,567,031)	($1,455,788)	$0	$0	$0	$0	$0
Avgas	($477,446)	($512,814)	($463,743)	$0	$0	$0	$0	$0
Oil	($13,629)	($16,162)	($4,700)	($5,120)	($5,274)	($5,432)	($5,595)	($5,763)
Total Cost of Sales	($1,914,910)	($2,096,007)	($1,924,231)	($5,120)	($5,274)	($5,432)	($5,595)	($5,763)
Gross Margin	$2,673,752	$3,691,389	$4,528,670	$5,106,880	$5,328,536	$5,558,733	$5,797,779	$6,045,998

Operating Expenses	2014	2015	2016	Year 1	Year 2	Year 3	Year 4	Year 5
Credit Card Fees	($76,364)	($105,648)	($117,442)	($12,000)	($12,360)	($12,731)	($13,113)	($13,506)
Utilities (Elec, Communications, Gas, Water)	($138,653)	($99,438)	($95,784)	($100,000)	($103,000)	($106,090)	($109,273)	($112,551)
Rental Fees	($20,973)	($65,072)	($71,457)	($73,000)	($75,190)	($77,446)	($79,769)	($82,162)
Professional Services	($3,755)	($416)	($101,428)	($5,000)	($5,150)	($5,305)	($5,464)	($5,628)
Customs	$0	($9,365)	($17,589)	($18,000)	($18,540)	($19,096)	($19,669)	($20,259)
Travel/Training	($10,454)	($2,655)	($10,019)	($20,000)	($20,800)	($21,632)	($22,497)	($23,397)
Publications	($6,044)	($6,555)	($7,439)	($7,500)	($7,725)	($7,957)	($8,195)	($8,441)
Trade Associations	($1,072)	($1,275)	($1,890)	($10,000)	($10,300)	($10,609)	($10,927)	($11,255)
Mileage	($307)	($890)	($776)	($1,000)	($1,030)	($1,061)	($1,093)	($1,126)
Promotional/Advertising	($292)	($679)	($853)	($25,000)	($50,000)	($25,000)	($25,750)	($26,523)
Building Maintenance	($113,391)	($170,100)	($148,089)	($150,000)	($154,500)	($159,135)	($163,909)	($168,826)
Maintenance Other	($7,350)	($30,089)	($51,643)	($55,000)	($56,650)	($58,350)	($60,100)	($61,903)
Information Services Fee	$0	($21,994)	($21,994)	($22,000)	($22,660)	($23,340)	($24,040)	($24,761)
Supplies	($60,891)	($59,534)	($63,202)	($65,000)	($66,950)	($68,959)	($71,027)	($73,158)
Saleries/Benefits	($713,673)	($838,066)	($1,173,759)	($1,200,000)	($1,260,000)	($1,323,000)	($1,389,150)	($1,458,608)
Health/Life Insurance	($169,247)	($195,285)	($222,411)	($235,000)	($246,750)	($259,088)	($272,042)	($285,644)
Total Operating Expenses	($1,322,466)	($1,607,061)	($2,105,775)	($1,998,500)	($2,111,605)	($2,178,796)	($2,276,018)	($2,377,747)

EBITDA (Earnings Before Interest, Taxes, Depreciation & Amortization)	$1,351,286	$2,084,328	$2,422,895	$3,108,380	$3,216,931	$3,379,936	$3,521,761	$3,668,250

Revenue

Revenue at the Airport is generated from several sources: fuel sales, hangar/tiedown rentals, office rentals, land leases and a number of associated service fees. Fortunately, in 2015 a new corporate tenant recently entered into a new long-term lease on TKI. This new tenant brought additional fuel revenue, rent, and the potential for additional revenue for the FBO. It is the experience of *ABS* that "activity breeds activity" and any new incremental business can lead to additional opportunities with associated business and contacts. It all depends on how new prospective tenants perceive the overall Airport and the services provided by McKinney Air Center. New business will come from two areas, aircraft moving from more congested airfields in the area, and from new businesses settling in the region. This is why the commercial development

surrounding the field is critical to new business development on the Airport. The two are critically linked to additional based and transient aircraft that will bring considerable revenue not only to the FBO and Airport, but the general community as well.

Although, the EBITDA baseline projected in this analysis is strong. It is also believed that the potential exists for additional revenue through the construction of new hangars and via a slow increase in rental rates for existing tenants as leases and business improves. It is also important to understand that itinerant general aviation aircraft are also critical to the future of TKI, and their contribution to the financial success is as important as the businesses that are based there. As the economy improves, increases will likely be noted in fuel flowage revenues, hangar rentals and other airport fees. This growth will be seen via increases in activity, plus incremental increases in fuel sales, rents and other ramp/service fees.

Fuel Projections

In general fuel projections are based on two factors, the increases in gallons over the projection period combined with the changes in the average margin for each gallon sold. In the table provided, Jet-A fuel sales are projected to conservatively increase at 3% per annum, with the average margin per gallon increasing by $0.05 per gallon throughout the period (average margin). In the case of Avgas, this fuel is projected to increase by 2% per year and also increase by $0.05 per gallon average. As noted, these annual increases could be improved with the incremental additional of new based aircraft.

Other Services and Fees

The projections for all other services, hangar/office rentals, and miscellaneous ground handling fees have been increased at 3% per year. No additional increases have been provided for additional hangars in the future, although this could mean significant increases in revenue;

however, this assumes that the FBO/Airport/City would provide the funding for such improvements.

Cost of Sales

In our analysis, for simplification and accuracy projections for cost of sales for fuel is based on margin only. This eliminates the volatility of fuel sales relating to frequent increases and decreases in product cost. Therefore, projections include margin only in the revenue section and no cost of sales numbers are included in the COS section. The only cost of sales projected is for Oil, which is estimated at 64% of the revenue for each year.

Expenses

This category covers administration costs, salaries, wages, payroll expenses, training, and other expenses such as maintenance, travel, marketing/promotion, supplies fees, professional services and other miscellaneous fees. All of the various expense categories are considered within what would be typical or in the standard range when compared to other FBOs at comparable airports and market conditions. As such, all of the expenses have been projected at 3% per year with the following noted exceptions:

Travel/Training: This category was increased from approximately $10,000 in FY 2016 to $20,000 in Year 1. After Year 1, this expense has been projected to grow at 4% per annum. This change is based on recommendations for additional training and travel to trade association conventions, and additional participation in high level NATA meetings and committee gatherings in Washington DC.

Trade Associations: This category was increased from approximately $1,890 in FY 2016 to $10,000 in Year 1. After Year 1, this expense has been projected to increase at 3% per annum. This change is based on recommendations for additional investment in presentation, displays, promotional gifts, and sponsorships of trade conventions and local events.

Promotion/Advertising: This category was increased from approximately $850 in FY 2016 to $25,000 in Year 1. In year 2, this increases to a one-year level of $50,000 to correlate to the completion of the new terminal facility under development. After Year 1, this expense has been projected to increase at 3% per annum. These changes are based on recommendations for significant additional marketing of the new facilities primarily in trade publications as well as locally to based aircraft operators in the region.

Salaries/Benefits and Health/Life Insurance: These two categories have been increased at 5% per year throughout the period to account for the more typical increases in these categories as related to the expected changes and volatility of the health care industry.

When each general category is evaluated and compared to total revenue, including Administration, Facility Operation and Maintenance, and Operating System Maintenance, each line item is near industry norms on a percentage basis. This effectively means that based upon our research and experience, there are no areas of expenditures that are inconsistent or higher than normal for an FBO the size of McKinney Air Center.

Conclusion and Recommendation

In summary, the value of an airport and its FBO to the community it serves extends well beyond the physical boundaries of the airport itself. While serving as an important piece of the transportation system in its community, as well as contributing direct value through the provision of emergency services, it is also a substantial contributor to the economy of the community it serves. While McKinney National Airport was not typically financially self-sustaining prior to the acquisition of the FBO, it is now on track to continue to be more viable and financially strong with the excellent track record and projected future of the McKinney Air Center acquisition. Moreover, this strong and well-managed operation, with the planned expansion and new facilities is expected to continue to provide positive cash flow well into the future.

As noted earlier in the report, it is recommended that the McKinney Air Center FBO be operated as a "stand-alone" operation, at least from a financial perspective. The analysis herein

evaluated the FBO independent of the Airport. While it is recognized that the Airport and FBO are both owned by the City, the FBO should be operated as if it was a privately owned and operated entity. This will allow a more detailed and comprehensive financial assessment process for the FBO going forward. It also serves to provide a similar analysis for the Airport operation relative to the assessment of the feasibility of future infrastructure projects.

While effectively a "right pocket, left pocket" approach, the FBO should be set-up to pay a monthly rent to the Airport for the land and facilities it occupies. There could also be a percentage of gross revenues paid to the Airport, which is relatively common for FBO leases. In addition, the FBO should pay a fuel flowage fee to the Airport for every gallon of fuel delivered into the fuel storage facilities at TKI (not at the time of delivery into an aircraft). The FBO could continue to manage the existing hangars on the field, but submit the majority of the revenue to the Airport, retaining only a fixed management fee based upon a percentage of revenue collected. New ground leases would be administered directly by the Airport, with any new facilities built by the Airport incorporated into the previously described management structure. By creating a "typical" income stream to the Airport, it can more appropriately evaluate future capital improvement needs and financial feasibility. Moreover, the FBO can be operated more as a "traditional FBO", which will allow it to better assess its real financial feasibility relative to pricing structures and future development projects. Again, while all of the revenues eventually end of in the same "pot of money" managed by the City, such a structure will provide a better assessment mechanism for the economic environment of both the FBO and Airport going forward.

Finally, from a financial and image perspective, City Administration, business leaders, as well as the general population, must continually be made aware of the direct and indirect benefits the Airport/FBO provides to the local community and surrounding region. As such, a focus on the continued success and growth of the McKinney Air Center, and the general aviation business associated with it, is a key component to its short and long-term success of both the FBO and the Airport.

7. STRENGTHS, WEAKNESSES, OPPORTUNITIES AND THREATS

In order to further analyze the action items and activities for the McKinney Air Center FBO, it is necessary to review an assessment of the Strengths, Weaknesses, Opportunities and Threats (SWOT) associated with the McKinney Air Center situation. The purpose of analyzing the strengths and weaknesses of an airport-related business is to identify the key internal factors that are important to achieving its mission. In order to have a complete analysis, opportunities and threats must also be addressed to examine various external factors. By adding the external factors, the analysis becomes what's known as a SWOT Analysis (Strengths, Weaknesses, Opportunities and Threats), which is a tool for auditing an organization and its environment. Once completed, the SWOT Analysis becomes a plan that takes into consideration many different factors, and maximizes the potential of strengths and opportunities of an airport, while minimizing the impact of the weaknesses and threats.

Based upon the review of the operation at TKI, an analysis of competing airports/service providers, and a study of national, regional, and local socio-economic and aviation trends, McKinney Air Center's strengths, weaknesses, opportunities and threats were identified as follows.

Strengths

Strengths are items that are accomplished particularly well or are unique assets that can be used to achieve the mission of an operation. Once identified, the strengths should be preserved and built upon. To determine the strengths of McKinney Air Center, *ABS* asked the following questions:

- What do customers in the market see as McKinney Air Center's strengths?
- What advantages does the McKinney Air Center have?
- What does McKinney Air Center do better than any other operator in the region?
- What unique resources does the McKinney Air Center have access to?

While answering these questions, a number of strengths were identified. In addition to the strengths of the FBO, there are also strengths of the airfield that also make McKinney Air Center an

attractive facility for general aviation users. The most significant strengths of McKinney Air Center are its association with the Airport and the combined influence of the City culture on both the FBO and the Airport management.

Industry Leading FBO Services – Since the purchase of the FBO by the City in 2013, the operation continually receives accolades from its customers via website postings and through industry publication awards. Last year, McKinney Air Center was the awarded the prestigious ranking as the nation's number one FBO in the 2016 FLTPlan.com FBO Pilot Choice Awards. This award is a survey of over 157,000 registered pilot users who are the entities using FBOs directly, which is the most accurate measure of FBO services. In addition, and most importantly, the FBO receives its most critical affirmation by the consistent loyalty of customers who continue to select McKinney Air Center as their FBO and TKI as their airport of choice when traveling to the McKinney/Dallas area. While the FBO boasts great service, it is also a key goal to maintain the facility as one of the best values in the area including competitive fuel prices and other amenities.

Runway/Airport Infrastructure – McKinney Air Center directly benefits from the excellent airfield resources at TKI. Runway 18/36 is 7,002 feet long by 150 feet wide, constructed of concrete and in good condition, is capable of accommodating commercial aircraft up to 450,000 pounds, which includes larger corporate aircraft such as the B-737, MD80 and A-319. The field also has a precision instrument approach (ILS/DME) to Runway 18. The field also has a Control Tower, and because of its location just outside the Dallas Class B airspace, aircraft operators experience no air traffic delays at TKI. In addition, TKI is one of only four general aviation airports in the Dallas area that offer U.S. Customs clearance on-site. This is a big advantage for international businesses and travelers to the area.

City Resources – McKinney Air Center is somewhat unique in that it has the cultural support and financial backing of the City of McKinney. This includes access to funds and investment money at typically lower interest rates than would be available to a private owner of the FBO. There appears to be an excellent relationship between the FBO/Airport and the overall community leadership. This is a key element in the future of both the Airport and the McKinney Air Center because it is the cornerstone for all future development both on the airport and around the airport

influence area. It is critical that both the FBO and Airport management continue to build community relationships and continually remind the community of the importance and value of the local airfield and its related activity. This is the essence of selling runway 18/36 as one of the most important main streets in the City. The community is well-known as one of the fastest growing in the State of Texas and ranked as one of the best places to live in the entire United States. The city has also established the "McKinney First" goals and strategies plan, which includes the success of the Airport as part of the program.

Community and Area Amenities – The FBO is not only part of the unique McKinney community, it is also only minutes away from many of the key attractions of the greater Dallas area. The various amenities near the Airport include world class dining, resorts, shopping, cultural centers, art galleries, sports venues, golf courses and other historic attractions.

Other Resources – An expansive area of high value, developable land surrounds the Airport. Plus, the Airport itself has the ability to expand for future development. The land available and the drive of the community to develop the area bodes well for the Airport, and likewise the strength of the Airport also feeds the development. The Airport appears to be well-accepted in the general population of the community, with limited problems associated with noise complaints or safety issues. Part of this acceptance is also associated with the self-sufficiency of the Airport under its current plan. On and around any airport, activity breeds activity, whether it is land development, recreation, student pilot activity or simply good hamburgers. McKinney Air Center is alive with activity that benefits the community and these are its primary strengths.

Weaknesses

Weaknesses are those items that are not accomplished well and/or prevent an FBO/airport from superior performance. Once identified, weaknesses must be addressed and corrected, or at least improved or enhanced, in order to accomplish the mission of the FBO/airport. If you do not recognize and understand your weaknesses, they can be difficult to overcome. To determine the weaknesses of McKinney Air Center and TKI, *ABS* asked the following questions:

- What are customers in the market likely to see as weaknesses?
- What could the FBO improve?
- What should the FBO avoid?

While answering these questions, the following primary weaknesses were identified for McKinney Air Center:

Government Control – Perception is everything, and because of historically poor service levels at municipally-controlled FBOs, the ongoing perception of poor service still pervades the general aviation community. Fortunately, operations such as McKinney Air Center, Global Select in Sugarland, and the new Fort Wayne Air Center in Fort Wayne, Indiana, are just three of several municipally managed FBOs that have proven that the perception is wrong. Despite the marked improvement in how municipally-run operations are managed this is a perception that must be continually addressed head on. There is also a rising element in some of the national aviation trade organizations who see government controlled FBOs as a threat to private enterprise and a way to simply keep FBO competition off their field. While the limiting of competition is sometimes true, for good reason, because more operators are often bad for the marketplace, this perception must also be mitigated. The continuing delivery of good service at a reasonable price is critical, but it also takes ongoing marketing, industry presence, and ongoing plans to always innovate, improve and change with the trends in FBO services. It also takes good communication and participation in the aviation trade groups and the willingness to speak out on the issue. While this is not an imminent threat to the future of the FBO or the Airport, it is an issue that should be continually addressed in the long term.

Airport Self Sufficiency –According to Airport staff, the primary goal of the acquisition of the FBO was and is to financially support the Airport and eliminate the need for the City to subsidize the airfield. While there are other reasons for the acquisition, money always drives these decisions. However, while these City monetary issues will always be critical, they could become a weakness to the management and growth of the FBO or Airport itself. Future financial decisions on funding equipment, facilities or other capital improvements may be scrutinized in ways that would not necessarily be part of the equation if the facility were privately funded. This is another reason why

McKinney Air Center should have the accounting of the FBO completely separate from the Airport entity. There will most certainly be a final accounting of total Airport operations, including the FBO for presentation to the City; however, the management of the FBO must utilize its monthly profits and losses, along with its daily fuel and tenant roles, to effectively make key decisions on the direction of the McKinney Air Center. In other words, from a recurring evaluation standpoint, the FBO must stand alone in its financial stature, with decisions on long-term financial issues made based upon the long-term FBO sustainability. While the current City administration is highly supportive of the Airport and its FBO, the future political environment may not fully understand the value of the Airport and FBO. By continuously evaluating the FBO on its own merits, better decision-making will be available to everyone.

Facilities – The Airport/FBO has some of the best aviation support facilities in the area; however, they are becoming both outdated and overcrowded. This includes the FBO terminal which has limited space to grow, and does not feature some of the industry's current high technology trends and amenities. The ramp space for the FBO is also inadequate for both the volume of aircraft and the new generation of larger corporate aircraft that are becoming more common at airports like TKI. There is also limited hangar space for itinerant and permanent based aircraft, which can be a deterrent to new activity. Additional auto parking, particularly for rental cars is also a weak area of customer service at the current FBO site location.

City Control – As mentioned earlier the connection of the FBO to the City is both an asset and could potentially be a weakness if not handled properly. Airport entities are dynamic enterprises that operate in an industry with dramatic swings in activity and market conditions. This requires that airport management be in a position to act quickly to changes in market situations and industry trends. While it is not the case currently at McKinney, it has been the experience of *ABS* that in some situations, airport sponsors, particularly large municipal entities, can get bogged down by so many levels of government that decisions cannot be made quickly. The City must allow airport management to do just that and allow the Airport Manager to make business decisions and recommendations as autonomously as possible. TKI must avoid over influence by the City on issues that should be under the total purview of personnel that are in the aviation inner circle.

Moreover, in our opinion, it is imperative for the Airport Director to be focused on the safety and security of the airfield, as well as the development of new infrastructure and facilities necessary to maximize the growth potential of the Airport. The economic responsibilities of the Airport Director should be focused on these infrastructure and facility demands/needs, with the financial feasibility tied to revenues generated from an FBO lease, fuel flowage fees, ground leases, and facility leases. This is typical of virtually all airports throughout the U.S.

Concurrently, the General Manager of the FBO should be focused on providing high quality day-to-day FBO services to the users and tenants of the Airport. This role should be centered on maintaining a high level of customer service, ramp safety, and fiscal responsibility of the FBO operation as a standalone operation.

Opportunities

Opportunities are items that an airport may or may not currently focus resources on, but have the opportunity to capitalize upon with corrective or proactive actions. Once they become apparent, an airport should plan and take measures to seize the opportunity. To determine the opportunities at McKinney Air Center and TKI, *ABS* asked the following questions:

- What are the general aviation trends that the FBO should try to capitalize upon?
- Where are good opportunities for McKinney Air Center and TKI?

There are numerous opportunities for the McKinney Air Center moving forward. The following opportunities are realistic and can be capitalized upon in both the near-term and long-term planning periods.

Business Customers – Runways, terminals and airspace have become congested at facilities such as DFW and DAL, and individuals have increasingly turned to general aviation aircraft for more efficient travel. It is forecasted that this trend will continue to rise and/or improve with the continued stabilization of the economy and through the introduction of the quieter and more efficient jet aircraft. After years of mostly stagnant growth, this segment of aviation has begun to

expand. While many general aviation airports are just beginning to see operational levels return to pre-2009 downturn levels, TKI has been showing significant growth for the past couple of years. As such, McKinney Air Center must be planning now for potential new FBO facilities into the overall Dallas marketplace. This planning includes the addition of a new terminal, increased proprietary FBO hangar space, and additional area for U.S. Customs, and general upgrades to the latest and best technology to meet customer demand.

Land Development – As noted, the available land on and around the Airport are not only a strength but also a significant opportunity. Because the Airport and the FBO are part of the overall City organization, it is now possible to use the "strength" of the resources of the McKinney Air Center to leverage new businesses to the area for land development. This includes land development both on and off the airfield in the airport influence area. This scenario provides the City the ability to coordinate with the FBO to incorporate certain market incentives for economic development on and around the Airport by linking hangar rents, fuel costs, and other incentives to potential business aircraft tenants, or those wishing to build businesses and facilities in the area. Operating the FBO can become another economic driver for new development. This is something that private FBOs can't or won't do because they have more profit-motivated business models and generally don't have the ties to the community. The ability of the airfield to expand to well over 1,100 acres provides an opportunity that airports closer in to Dallas cannot offer.

Development of New Facilities – Despite the somewhat limited terminal and ramp space, the FBO maintains its reputation for excellent service. With the addition of all new terminal facilities and state-of-the-art technology, the marketing opportunities are significant. Additional itinerant and "common area" based hangar space will also provide additional incentives for corporate aircraft to utilize TKI and McKinney Air Center for their base of operations.

Location – McKinney National Airport is situated in a promising locale. As mentioned, there are great tourist and business opportunities only minutes from the Airport, as well as the business/land development presence. Continued congestion at all the so called "close in" airports will have the natural effect of moving general aviation aircraft to TKI. This congestion includes ramp space, hangar space and air space. This is particularly true at Love Field where commercial

air carrier activity is pressing the City of Dallas for ramp/hangar and auto parking, and includes on-airport land that is currently occupied by corporate aircraft. As the airports closer to the center of Dallas continue to become more congested, combined with a population shift to the north, TKI will become a more attractive facility now and in the future. This is already being realized through the extensive development occurring just west of McKinney to include the recent addition of regional headquarters for Toyota Motor Company, Liberty Mutual, FedEx, JPMorgan Chase, and Fannie Mae. However, the window of opportunity is small as other airports are also recognizing the opportunity this situation presents.

Threats

Threats are items that could negatively affect or impact an airport's operations. Similar to weaknesses, these threats must be recognized and eliminated before they become bigger problems or weaknesses. In order to assess the threats to McKinney Air Center, *ABS* asked the following questions:

- Is the constantly changing economy threatening the operations position?
- What are the obstacles?
- Are the obstacles/threats long-term or merely short-term issues?
- What are McKinney Air Centers' competitors doing?

Oftentimes, threats are hard to anticipate and can sneak up on a business. Through the analysis of possible threats at McKinney National Airport, the following were identified.

Airport/FBO Competition – Of the 10 key airports in the Dallas Metroplex, TKI is approximately 30 miles from downtown Dallas. While not the farthest away, including Alliance at 35 miles, Fort Worth at 32 miles, and Denton at 35 miles, there are several competitive operations located closer to the City center. Love Field, Addison, and Dallas Executive are all closer to the city center. This is a limited advantage for those airports, particularly for general aviation business passengers who may be connecting to international or other commercial flights out of Dallas. However, some of these airports also have their own limitations due to high air traffic and limited

land availability. Nevertheless, they are often "perceived" as being a better place to land because of their location.

As discussed in the competitive airport section, there are many airport entities competing with TKI for itinerant fuel sales, hangar tenants and other services. McKinney Air Center has the opportunity to enhance its already excellent quality facilities and get a jump on the north side competition. However, the threat is that others are also watching the national economy improve, and as aircraft operators increase flight hours, there will be a demand for additional hangar and support facilities in the area. As such, the threat is that if McKinney Air Center does not act quickly to improve its terminal facilities and maintain its position as the pre-eminent fuel stop, someone else will. This includes ADS, which has recently extended a lease for 15 acres of developable land on the field to the BA Group, who is planning to construct 120,000 square feet of hangar space, 6.9 acres of ramp, and 22,000 square feet of Class A office space, to include an FBO.

There is also the threat imposed by the national chain FBOs around the Metroplex. The major chain operations in the Dallas area include Atlantic Aviation, Million Air, Signature, and Jet Aviation. While the service levels, and some of their facilities are not considered the best in the region, these chain operations have the power of size with the advantages of large marketing budgets, price negotiating leverage for fractional aircraft users, economy of scale in purchasing of fuel, networking capability of based tenants, and typically a more dominant presence in the national marketplace. As a sole source operation, McKinney Air Center must work hard to overcome these national chain advantages.

Political/Financial Pressure - Public airports in the U.S. rely heavily upon grants from the FAA, as well as state governments. These financial resources could become somewhat obsolete over time, and are highly competitive or may become non-existent due to potential changes such as the privatization of the FAA. It is unclear how the new administration in Washington is going to view business and general aviation. This includes aviation funding issues, user fees, and taxation of equipment such as aircraft. In addition, there has been a recent trend in how the industry sometimes perceives the management of FBO entities by government agencies. This includes political pressure relating to the fact that some airport tenants, along with national industry

associations, see municipally run FBOs as an assault on private enterprise. While this does not seem to be a local problem for the City of McKinney at this time, it is of growing concern and will likely need to be addressed at some point. McKinney Air Center and Airport/City Administration must continue to follow this trend and be a vocal advocate for the reasons that it sometimes makes good financial sense for an airport to operate the FBO. This is particularly true at the National Air Transportation Association where this group has lobbied in Washington for legislation to limit the control of private businesses on an airport by municipalities or airport authorities. This is why McKinney Air Center should have a representative that is active at NATA via conventions and even as a part of a key committee.

Competitive Airports – McKinney Air Center will always be threatened by the airports in the region particularly for prominent new based business aircraft. This is the nature of the FBO world and to date, McKinney Air Center has risen to the occasion with the acquisition of new tenants such as the Toyota flight department. There are also threats to itinerant business and other segments of general aviation that will always be a constant threat to activity at TKI.

Economic Impacts and Sequestration - Often during poor economic times, recreational flying tends to be the first area to see a decline in activity, which equates to less fuel sales and hangar rentals. This can also be the case for corporate flight departments. Executives looking to cut costs often consider liquidating business jets and outsourcing, which is what transpired when HP left TKI. TKI has survived one of the worst 5-year periods in the history of general aviation. Although the economy is improving, the Airport needs to prepare for future swings of the economy by diversifying their revenue base and looking to non-traditional means of revenue generation. The effect of the economy on aircraft activity typically lags behind the overall national trends. This means that even though the price of fuel is dropping, international changes in the price of crude oil can change the price of fuel almost overnight. McKinney Air Center must be prepared to withstand these changes quickly and the City must recognize the potential for periods of slow fuel sales in the future. Unforeseen changes in political climate must continue to be considered not only a threat to the City as a whole, including the FBO and Airport. Being prepared to act quickly to downturns in the economy is another reason to maintain the FBO as a separate business from an accounting and management perspective, to be able to reduce work force or change marketing plans with no City

rules or restrictions that may be in the City charter. Typically, privately-run businesses are able to make changes quickly to market conditions, whereby a municipally-run organization, just by their make-up and culture, is often much slower to react to changing economic conditions. This is critical, particularly in the FBO business, because fuel pricing, and other services can become very volatile in hard economic times.

SWOT Matrix

The SWOT matrix illustrates how management can match the external opportunities and threats facing an airport with its internal strengths and weaknesses to yield sets of possible strategic alternatives. The SWOT matrix framework lends itself to creative strategies. Basically, four main strategies are proposed within a SWOT Analysis:

- S-O Strategies – These strategies are based on the Airport's strengths to take advantage of market opportunities
- W-O Strategies – These strategies are based on the overcoming the Airport's weaknesses to take advantage of market opportunities
- S-T Strategies – These strategies are base on the Airport's strengths to avoid market threats
- W-T Strategies – These strategies are based on overcoming the Airport's weaknesses to avoid market threats

The dimensions of the SWOT Analysis can be displayed as a matrix and the following contains some suggested measures to move the Airport forward:

SWOT ANALYSIS		Internal	
		Strengths	**Weaknesses**
External	**Opportunities**	S-O Strategies Develop new methods, which are suitable to Airport's strengths. • Utilize location and community appeal to cater to business aviation • Continue/Increase marketing plans to support opportunities	W-O Strategies Eliminate weaknesses to enable new opportunities. • Use City/FBO Land development connection to bring new businesses to the area • Increase fuel sales by catering to aircraft owners that would normally use other airports
	Threats	S-T Strategies Use strengths to defend threats • Enhance term/hangar facilities and to compete in the region • Maximize financial strength for sustainability	W-T Strategies Develop strategies to avoid weaknesses that could be targeted by threats • Continue to build community support in order to combat any unforeseen negative issues • Act quickly to improve facilities and service/equipment

SWOT Limitations

The SWOT Analysis is a simple but useful tool for analyzing the strengths and weaknesses and opportunities and threats an aviation business or airport faces. While useful for reducing a large quantity of situational factors into a more manageable profile, the SWOT framework has a tendency to oversimplify the situation by classifying an airport's environmental factors into categories in which they may not always fit. McKinney Air Center management should take into consideration the limitations of the analysis.

a. Recommended Actions/Activities

As stated previously, based upon our assessment of the current and prospective aviation environment at McKinney Air Center, the key activities that should be undertaken by the FBO are:

- Continually improve the image and service levels of McKinney Air Center through cooperative programs with their fuel supplier, currently Avfuel, including the current marketing program and new/innovative programs
- Construction of new executive terminal space, and common use hangar facilities to accommodate new business and to stay at the forefront of the culture and amenities that professional pilots and their passengers expect.
- Continually emphasize the Airport/FBO relationship and their related economic benefits to local residents, economic development groups, and City Administration.
- Always be proactive as opposed to reactive to the nature of competitive airports and FBOs in the region and nation.
- Increase the FBOs presence within the National Air Transportation Association including meetings, and committee activity.
- Increase the marketing budget annually with more emphasis on national trade advertising, plus a large emphasis on the period when the new terminal is opening with open house activities, national announcements, and local newspaper/media activity.

b. Roles and Responsibilities

It is the opinion of *ABS* that current roles and responsibilities are primarily well-established for the Airport and FBO, with a few simple changes or re-emphasis recommended. The role of the FBO General Manager must be preeminent in the day-to-day activities of the FBO, as well as in lease and development negotiations for existing aeronautical space on the Airport. While it will still be important to have City input and final lease development for new aeronautical tenants, the General Manager must have the autonomy to take the lead in terms of discussions with prospective tenants for existing facilities. However, this must also allow for clear communication with the Airport Manager and City economic development personnel to provide for maximum exposure to new business entities coming into the region. This will allow for the development of an industrial development team who can create synergies whereby a new business entity can take advantage of hangar leases, fuel deals, airport access and other City amenities that tie to the land development arrangements in the Airport influence area.

The marketing of the FBO must be a separate and distinct process allowing those entities at McKinney Air Center who are experts in aviation service issues to market and present the benefits that McKinney Air Center brings to both the City and the Dallas region. Additional marketing monies should be considered in the future for both national and local campaigns as noted above.

As noted previously, the role of the Airport Director should be to focus on the safety and security of the airfield, as well as the development of infrastructure and facilities essential to insuring the continued growth of TKI. The Airport Director would be responsible for the development and leasing of undeveloped land at TKI, both aeronautical and non-aeronautical, in coordination with City officials (and the FBO General Manager if a prospective development will require the provision of fuel and services by the FBO). Both the Airport Director and FBO General Manager should report to a single City representative that is responsible for the coordination of all Airport activities.

c. Timetables for Action Agendas

From an FBO Strategic Business Plan prospective, the proposed implementation of SWOT mitigation is based on three phases.

- Phase 1: Includes the construction of the new terminal, and should be done immediately, or within no longer than 24 months.
- Phase 2: Includes the development of a new 40,000 square foot common use hangar, which is likely a 2 to 4-year process.
- Phase 3: Includes additional runway expansion (if possible) and T-hangar development, which is likely a 5 to 10-year program.
- Ongoing: Additional marketing as noted immediately and upon completion of construction projects.

The above phases need to be coordinated with Airport Master Plan programs, which were in development at the time of this writing. Additional priorities and timetables may be changed or reorganized based on the Master Plan programming and funding opportunities from City and Federal sources.

8. IMPLEMENTATION

The following issues related to marketing, and future development plans are based upon the assumption that the Airport/FBO decides to move forward with the terminal construction and the plan to also develop the new 40,000 square foot common use hangar, as discussed. It should also be noted that some of the items discussed in this plan are already in place at McKinney Air Center. However, we included each element so that all entities within the City reading this document will understand what is in place today must continue into the future. We have also included some additional items relative to new terminal development, hangar construction and the development of marketing programs that feed the FBO, the Airport, and the commercial development of the area around the field for the benefit of the City.

8.1 KEY ROLES AND RESPONSIBILITIES

a. Management and Control

For the long-term growth and success of both the FBO and the Airport, it is critical that each entity be managed and run as a separate entity. While it is understood that the two are certainly tied together financially for many reasons, the management of McKinney Air Center should be done as if it were an independent private business. This must be done as a matter of business as well as in terms of a mindset or culture. Regarding the high levels of service provided by the FBO, this appears to be happening now. However, there appears to be some areas where the roles of the FBO General Manager and Airport Director are somewhat blurred. While reporting to City entities, as would a manager of an FBO that reports to private ownership, the FBO General Manager must have the ability to make autonomous decisions regarding the day-to-day control of FBO operations. This would include control of personnel, equipment, facilities, fuel pricing, marketing and leasing of existing real estate or buildings. High-end FBO services are by nature fast moving and part of an industry that changes almost daily. This includes fuel pricing, logistics of equipment and other resources. In addition, the clientele of the FBO are businesses and aircraft owners who want quick answers to questions related to aircraft housing, fuel prices, and availability of other services. The

FBO General Manager must be able to answer these types of questions rapidly, because the FBO competition at other airports, particularly the privately-owned operations are typically more nimble and quicker to respond than a municipal operation. This is due to hierarchical controls that may be required by City charter or simply historically created layers of management that can add significant time to decision making. In a sense, it can be the "too many cooks in the kitchen" scenario. The General Manager of McKinney Air Center must have clear lines responsibility and clear guidance on what the latitudes are for decision-making to be successful. This is not to say that this person has free range to do whatever he or she wants, but with clear direction they need to be able to manage personnel, daily finances, pricing of services, strategic operations, equipment management and customer decisions. As part of this direction, there should also be clear delineation of personnel who work at the FBO. The cross-utilization of people for both Airport operations and FBO services must be avoided. An example of this would be a Line Service Technician who is also tasked with cutting the grass in the infield of the runways. While this may work at a small, rural general aviation airport, these cross-utilization scenarios are often the downfall of service levels at a more corporate-intensive FBO and must be avoided.

b. Obstacles and Challenges

The primary obstacles to long-term control of the FBO by the City/Airport are related to funding issues, to include the willingness of the City and community-at-large to aggressively attack funding issues and make the investments needed to keep the FBO a leader in the region. Often, the perception within a community is that a general aviation airport only serves a small percentage of the population. This is far from the truth, but requires a dedicated effort to educate the community on the benefits of the FBO and Airport on an on-going long-term basis.

An additional issue that must continually be addressed by the FBO is the perceived issue of government control versus private business. This issue is often characterized by tenants and users of the field as a type of monopoly that can lead to poor service quality and higher prices. While this is clearly not the case at TKI, industry trade associations and user groups are looking at these situations with a jaded perspective. The only way this can be mitigated is through the continued presentation of executive class services with value-added pricing. The current relationship

between McKinney Air Center and the users of the Airport is very good, and service levels are excellent, but this must never be taken for granted and continually revisited for critical review. The operation and management of the FBO as a standalone entity will assist in alleviating some of the negative perceptions.

c. Inventory of other Aviation-Related Businesses

Currently, the key local aviation related businesses that are directly related to McKinney Air Center are Monarch Air, ATP, Select Avionics, and Air-O Specialists. They are a part of what may be called an airport "mall concept", and each is a key player in the success of both the FBO and the Airport. Without these other key services, particularly the maintenance and charter provided by Monarch Air, McKinney Air Center may not have the market presence it enjoys. The relationship with these entities is also important because there are ways to combine marketing efforts and strategic programs to promote the overall McKinney National Airport experience to each segment of aviation that the various service providers on the field represent and serve.

However, it should be noted that the segment of aviation business that is the key to the greatest potential overall growth and ultimate success of McKinney Air Center is the based and transient corporate aircraft that is either stopping at TKI for daily business activity or that call the Airport their home. As such, a key part of the marketing thrust for the Airport must be directed to these pilots and aircraft owners. This effort must be done through regional and national industry marketing efforts. And, as should be noted, this market segment is also key to Monarch Air.

d. Existing Tenants and Developments

In general, the existing clientele at the Airport, particularly those based in the hangars, use the Airport for three reasons: 1) they are committed because their aircraft is housed there, 2) they have business connections in the region, and 3) they likely live or work within a close proximity to the field. There is also a growing relationship between the industrial land development in the area and both based and itinerant turbine aircraft operations.

The City and local developers are also key players in this aviation venture, primarily because they are the controlling entities of land development. At McKinney, there appears to be a significant amount of input and support from the various industrial development groups in the area. This is another area of potential cooperative marketing, and also a way to reinforce the value of the Airport to the citizens of the City.

e. Strategic Networks

There is a number of aviation networking scenarios that are part of any FBO plan. In addition, there are a number of aviation associations that the FBO/Airport should be involved with to remain active and knowledgeable of industry trends. These associations include the General Aviation Manufacturers Association (GAMA), Air Cargo Association (ACA), American Association of Airport Executives (AAAE), National Business Aviation Association (NBAA), Aircraft Owners and Pilots Association (AOPA), Air Transport Association (ATA), and the National Air Transportation Association (NATA). Each of these "alphabet groups" represents a different segment of aviation that can provide the FBO and Airport with information and contacts to potential customers or industries that may be interested in what McKinney Air Center and TKI has to offer. The current FBO and Airport management are active in many of these groups; however, McKinney Air Center should consider additional funding, particularly for access to the National Air Transportation Association. This would include funding for attending meetings at NATA offices in Washington DC, to participate in key NATA committees, industry trend meetings, and critical symposiums that discuss key issues such as the way that the association looks at municipally-run FBO entities.

In addition, critical to the successful development of the market at TKI will be bringing in new itinerant aircraft operations and based aircraft. McKinney is fortunate to have several key marketing opportunities to build this itinerant business. These are the following amenities.

- Significant land development opportunities in the area
- A high quality of life and many great City of McKinney amenities
- Small town living but with access to the many resources of the greater Dallas Metroplex.
- A growing and affluent population

- Excellent Airport and FBO infrastructure and facilities
- TKI is outside of the congested Class B Dallas airspace

It is recommended that the FBO continue to focus on these opportunities to build market recognition and cooperative programs that are mutually attractive to the various entities associated with these opportunities to build business for them and the Airport.

It should also be noted that as an Avfuel dealer, McKinney Air Center has access to one of the best aviation fuel marketing organizations in the U.S. It appears that the FBO has somewhat taken advantage of this. Avfuel has considerable resources and are very willing to do various cooperative marketing programs, particularly those related to the construction and grand opening of the new FBO terminal that is proposed. They have national marketing campaigns and incentive programs to help the FBO grow and prosper through their network of branded dealers (FBOs). Their AVpoints program, particularly during the opening of a new facility, allows the FBO to offer extra points to new visitors (aircraft) to the facility. This is just one of many programs that Avfuel can offer to McKinney Air Center.

f. Potential Aviation Related Activity Restrictions

The current infrastructure at the field provides better than average facilities for an airport and community of the size of McKinney. Runway surfaces, ramp areas and pavement strengths are capable of handling nearly any type of general aviation aircraft including some of the largest corporate jets. The only limiting factor at TKI is the runway length. As noted in the master plan, an increase to 8,500 feet in length would accommodate more sophisticated aircraft such as Boeing Business Jets (BBJ), particularly when temperatures are high and density altitude restrictions limit the takeoff weights of aircraft. In the summer months, the 7,002-foot runway situation limits the flight range of larger aircraft departing TKI.

g. Target Industries/Aviation Businesses

The primary target business to make this development work and to increase jobs in the area is itinerant aircraft operators who frequent the area. Many of these users are either using DAL or ADS and and shuttling their passengers to meetings and functions around the entire Dallas community. It is believed that this business has begun to shift to outlying airports with more land available and less congestion. Capturing the fuel potential on the field and moving market share from surrounding areas takes time and marketing dollars, but it is key to the long-term success of the FBO, and will help facilitate other funding sources for continued development and improvements.

h. Spin-Off Industries

The spin-off opportunities of capturing the itinerant business already frequenting the area is to then market to aircraft owners that wish to make TKI their home base of choice due to the quality of services and the "best value" approach to fuel sales. Competitive pricing, but good value predicated upon the new facilities and the quality of service, should be a significant marketing objective. The improvement in the national and regional economy will contribute incremental increase in the total fuel sales from businesses who did not traditionally use aircraft, but see opportunities to access general aviation with resources such as Wheels Up, where they can purchase block time in economically viable aircraft. This represents a significant potential opportunity at the Airport.

8.2 MARKETING PROGRAMS

In the development of this strategic business plan, *Airport Business Solutions* has completed a market analysis to profile the most probable marketing process for the Airport. As such, this section identifies the target market, promotional tools to reach the target market and processes to use in marketing to the entire local community. This section also includes insight on how to create quality media relations and enhancing the base knowledge of user perceptions through the use of well-orchestrated surveys. As noted, much of this is already underway but must be continued.

Target Markets

The customer base at McKinney Air Center should include all users, airport tenants (commercial and non-commercial), and the community. In addition, the Airport should seek to preserve a balance between business/corporate and recreational/pleasure aviation operations. The balancing routine should be accomplished while attracting new business and jobs to the Airport and surrounding communities. The marketing efforts of the FBO and Airport must focus on several distinct segments of the market and these segments are identified below.

Business/Corporate Customers

The following elements are common attributes desired by the business/corporate segment of the general aviation marketplace:

- Runway Length – Currently 7,002 feet (Increase to 8,500 feet)
- Approaches (Precision ILS/DME at TKI is a very marketable resource)
- Control Tower (Radar preferred)
- Fuel (Competitive pricing, but focused more on quality and level of service)
- Overnight Hangar (Availability with the capacity and clearance required to accommodate most GA Aircraft)

- Service (Aircraft ground handling/line services, airframe and power plant maintenance, avionics, and instruments)
- Ground Transportation (Courtesy cars, rental cars, and limousine services)
- Automated Weather Observation System (AWOS) or computer weather information (WSI and Duats are preferred)

Business and corporate operators also look for certain amenities such as meeting rooms, catering or restaurant services, and nearby hotels. Access to commercial ground transportation and rental cars cannot be minimized as the character and nature of business traffic requires ground access to nearby business and industry, as well as the regions amenities. Therefore, the FBO at TKI needs to take steps to ensure the standards outlined are not compromised. Furthermore, ground transportation access needs to be maintained in an affordable and convenient manner in order to maximize the appeal of McKinney Air Center over other regional operations.

Recreation/Pleasure Customers

The following elements are common attributes desired by the recreational/pleasure segment of the general aviation marketplace (single and multi-engine aircraft):

- Fuel (Competitive pricing and/or availability of self-service)
- Hangar (Availability of T-hangars)
- Parking (Availability of Tie downs)
- Service (Aircraft maintenance)
- Ground Transportation (Rental cars)
- AWOS or computer weather information (WSI is preferred)

Recreational pilots often overfly Texas east and west transiting the country and up and down region from Canada and Mexico. In many instances, these recreational pilots will calculate their fuel stops based on published fuel offers on the various pilot based websites. Weekend fuel specials can often attract these users since most of their flying is done to and from a vacation destination on Saturday and Sunday.

Community

In addition to the two primary customer segments, the FBO and Airport should consider their impact on the community. The following elements are common attributes desired by the community:

- Facilitate safe, convenient, and affordable access and services to the air transportation industry
- Build and maintain local economies by providing a welcoming environment to businesses
- Support full range of aviation activities including important safety services such as fire protection and law enforcement
- Provide convenient tourist and business access to community

While the direct benefits that an airport contributes to its community are relatively obvious (jobs, transportation, emergency services), it still faces "obstacles of the unknown" to the uneducated population including concerns about accidents and noise. Moreover, the "vocal minority" tends to be better at pleading their case than does the aviation enthusiast. As such, marketing is a vital tool to acceptance within the community. TKI and its FBO need to develop a stronger image within the community it serves. To accomplish this goal, three well-accepted "educational" concepts are for the Airport to host an open house, an airshow, or a public safety expo. All of these ideas generate enthusiasm in the community, while offering an opportunity to educate those unfamiliar with TKIs activities. This simply means that McKinney Air Center must educate the community about the value of the airport.

Promotional Methods

Unless the FBO is part of a larger chain, most promotional methods utilized within the industry are, or can be, somewhat expensive for a sole source operator. The following section describes a number of fairly economical, but critical ways to market the FBO.

Website

A website has become a necessity for airports and FBOs across the country. The current website for McKinney Air Center is good, but has some opportunities for improvement via interactivity, such as including more ways for pilots to pre-plan service and to make arrangements for their needs directly on the site with database support. However, while websites are essential to any successful business, a poorly designed and produced website can send customers to another provider. Airports and FBOs without a high-quality website are usually not perceived as professionals. With the development of new terminal facilities, it is recommended that the website be upgraded with a new look. In conjunction with website social media access for pilots, website activities should be monitored and expanded since new young pilots coming into the corporate workforce will be using these technologies to communicate and research FBOs and the offerings. Photos of facilities, particularly the new terminal, and a focus on pilot and passenger amenities, need to be updated. In addition, a user of the site must have quick one or two screen "first glance" access to:

- Basic airport information such as runway lengths and radio frequencies
- FBO services and hours of operation
- FBO amenities such as conference room and flight planning resources
- Driving directions and other ground transportation information
- Operational procedures
- Development information including hangars for rent, available property, and future capital improvements
- Other resources such as local hotels, golf course and restaurants
- Ability to order fuel, rental cars and other services via the web
- There are numerous aviation based web portals that can be utilized such as Airnav.com and Fltplan.com that are typically low cost to upgrade for better presentation of the website.

Large FBO chains such as Signature Flight Support have expanded the typical FBO website by providing a site in which pilots can make reservations at the location. The site allows the

customers to enter in trip details and even request hotel and catering reservations. In addition, laptop computers and wireless technology have become increasingly useful in airports and the FBO should consider offering pilots, flight crews and passengers WiFi on the itinerant jet ramp. This allows the customers to maximize downtime and become more productive while traveling.

Trade Publications

Advertising in select trade publications is also recommended. Many corporate pilots and flight department managers make decisions based upon their knowledge of the region they are flying to. Moreover, many dispatchers and/or pilots will not be aware of the new facilities/operator available in McKinney without some targeted advertising in the main pilot publications. As such, advertisements should be placed in publications such as *Professional Pilot*, *Aviation International News*, *Business and Commercial Aviation*, and trade association publications, such as *NBAA Aviation Insider*.

Promotional Mix

In order to briefly touch upon a number of promotional methods available to the FBO, the following listing has been provided to summarize each element. Since no one method works completely by itself, a mix of these elements is recommended to promote the business at TKI. Regardless of the level of involvement in promotion, it will always be in the best interest of the Airport and FBO to remain involved and connected to the local community. If the Airport and/or FBO only becomes involved when there is an obvious direct benefit from an event, the effect of that involvement is minimized. Consistent and honest community involvement is essential to success.

Joint Marketing Campaigns: Work with Avfuel to share the cost of promotional giveaways and co-op advertising. Co-op opportunities may also be established with the City, County and/or local Economic Development Agency.

Communication Database - Press Releases: Establish a number of different databases that include e-mail, phone numbers, faxes, and addresses in order to disseminate information when required.

Host Civic Groups: In order to establish relationships with organizations such as the Rotary Club, host meetings and provide speakers.

Chamber of Commerce: Become a more active member of the Chamber of Commerce and remain active in events and the growth of the region. Often the Chamber will join the FBO in attending trade shows.

Tenant Meetings: Establish periodic meetings with tenants to inform them of efforts to improve the FBO and the Airport.

Target Marketing: Occasionally develop incentives to increase sales such AVpoints.

Local and National Web Listing: Verify that the FBO's contact information is in numerous directories are up to date with new facility development information

Print Advertising - Trade Publications: Explore the option to place a print ad in regional and national aviation publications.

Young Eagles: The Young Eagles program was designed to introduce young people to the joy of flying. Local chapters of the Experimental Aircraft Association (EAA) are very good with organizing and promoting events that take interested youth on their first ride in an airplane.

Update AIRNAV.com & Fltplan.com: Routinely check AIRNAV.com for pilot comments in order to maintain a positive image. Postings are typically related to poor service or a bad experience, so it is important to stay on top of these comments and address them immediately.

NBAA, NBAA Schedulers & Dispatchers, NATA, and AOPA Annual Conventions: Attend annual conferences to market business, and have staff attend safety seminars sponsored by NATA. Become a part of the Avfuel exhibit space for the major conventions.

Air Show/Fly-In: Consider hosting an annual event with local or regional antique aircraft owners. If possible contract with a national air show sponsor to get major flight talent or precision flight teams to TKI.

Transient Aircraft Log: Develop a log of aircraft and pilots that have used the FBO for future correspondence. Once established, incentives can be arranged for returned visits. Monitor other local Unicom frequencies for aircraft tail numbers to identify them and ultimately send invitations to these owners offering a first-time special for itinerant users going into other airports.

Club Sponsorship: Consider sponsoring a local group such as a Little League team or scout troop.

Airport Open House: An Airport Open House event can be held on an "ad hoc" basis or as an annual event that helps enhance visibility of the Airport and/or tenants. This type of event normally improves relationships within the local community. The first Open House will require the most effort. After that, the groundwork and procedures will be established for future events. Make no mistake, this is a time-consuming event that requires the resources and time of several individuals; however, airport volunteers and interested community members can help reduce the time required of the airport staff

Airport management should have the ultimate responsibility for planning and overseeing the event, but a key to a successful open house is getting others involved. A committee (utilizing the Airport management, FBO management, City management, and others in the business community) is the most effective way to keep everyone who needs to be involved up to date with the event activities and progress. Additional external individuals or groups that could assist in the process may include:

- Local Chamber of Commerce
- University Student and Faculty Groups
- Flying Clubs
- Local Police and Firefighters
- Military personnel
- Local service clubs
- Aircraft owners who may have access to unique of antique aircraft

Prior to the event, the Open House spokesperson should arrange interviews with the local media, making sure to include local community leaders and Authority members in the interviews. Additionally, a series of news releases should be prepared and released in the weeks preceding the event. Activities during the event should include at least the following:

- Information on the Airport's economic benefit to the community
- Local TV and radio personalities doing remote broadcasts from the event (weather reporters work very well)
- Bury an airport time capsule developed by local schools
- Paper aircraft building contest
- Static aircraft displays
- Face painting for kids of all ages
- Information booths manned by commercial tenants, displaying their services
- Refreshments, which can be handled by local service groups to raise money for their organizations
- Essay contest for elementary school children, with the winner announced during the Open House. The topic should be "Why Airports Help Our Neighborhood"

In preparing for the event, there are a few basic housekeeping issues that must be addressed. Have someone in charge of taking photographs, insure you have a public address system for making announcements, and include a designated announcer. Do not forget to have an adequate number of toilet facilities and a group assigned for clean up after the event. Think about

where you will be parking cars, and if it is a remote location, how the people can be transported to the Airport activity center. Have clear and simple signs directing people to the various activity areas, and keep staff informed so that they may answer pre-event phone calls correctly. In addition, decide on a "rain date policy". Be sure to say "THANKS", both publicly and personally, and all volunteers on the committee should receive special recognition.

Media Relations

In addition to using various promotional methods, it is important to develop strong media relations. Often, the media is the first and only contact with the local community, as well as with some tenants, elected officials, and area business owners. Therefore, it is important to know what "works" for the local news channels and individual reporters assigned to the Airport. Using the media wisely can be beneficial to the Airport. However, it is significant to remember that the on-site FBO manager must be willing to talk to them about both positive and negative events (when appropriate) and to be an informed and a good spokesperson for the facility.

While you can certainly use the media to help promote the FBO and Airport, be sure to only use them when you have a real news story. Hosting media representatives at the Airport can be a valuable tool, as it can help them understand how it functions for accuracy in future broadcasts. It can also serve to help establish a positive relationship with the FBO's and Airport's management. Also, remember that if you want to get a good media turnout, food and beverages are always a good incentive.

Be prepared for emergencies. Let the media know in advance what the procedures are, where they can assemble for information, and who the appropriate contact person is. This can be accomplished via an advance letter, and reinforced during the hosted media event. Provide the media with basic airport information and a glossary of commonly used aviation terminology.

When in an interview, it is difficult to admit to bad news or ignore a bad situation. However, it is always safer to respond honestly to difficult questions. In the event that you have limitations

on responses to certain subjects, tell reporters that, "information is not available at the moment" or "I will have to get back to you." Try and avoid the "No Comment" statement.

Keep an updated media list. This will assist in distributing news releases and should be updated at least once a year. The list will also help in determining the appropriate "release" for different types of news stories, as some stories may be of more interest to local news than statewide news. In McKinney National Airport's case, the Airport Director is usually the point-of-contact. However, for certain stories, there should be pre-selected alternative contacts particularly the FBO General Manager.

Surveys

Surveys are by far the most popular method of collecting data for an airport. Consistent collection of information from TKI users and tenants is a suggested activity. It should be noted that there seems to be some good contact, on a regular basis with airport tenants/users and FBO management. This needs to expand to aircraft owners in the entire north Dallas region. Surveys can provide a quick, inexpensive, efficient, and reasonably accurate means of assessing general information from users, as well as the competitive marketplace. Whether a survey is to be conducted via telephone, personal interviews, or e-mail, you must complete certain basic steps to be successful in the survey process:

- Determine the objective of the survey
- Develop a sampling plan
- Solicit approval if necessary
- Write the field procedures
- Develop a distribution area
- Execute the program
- Collect the data
- Analyze the data
- Report findings and recommendations

Personal surveys increase the likelihood that all questions will receive answers and usually provides a higher participation. Additionally, this forum creates an opportunity for the interviewer to use props and visual aids. However, the potential exists that the interviewer may cause the respondent to provide answers to please the interviewer rather than revealing true attitudes, opinions, or beliefs. For TKI, we recommend this type of survey be utilized to interview business in the area, residential neighbors, users, transient pilots, and Airport visitors, only if additional help can be provided by community volunteers. A standard questionnaire should be prepared and random interviews should be done at least every three years.

Electronic surveys are now the most popular method for gathering information. Information gathered is usually complete and respondents are generally more willing to provide detailed and reliable information. Telephone interviews have a distinct disadvantage because it is easier for a respondent to refuse to participate. As such, make sure your questions are brief and specific, and try to limit the time needed to fill out the survey. We recommend the staff prepare a user database and conduct random samplings twice each year to gain an understanding of the needs and desires of the regional airport users. Marketing staff should also use this method to collect information from competing airports regarding activity, pricing and development plans.

Finally, as noted McKinney Air Center is using a number of excellent marketing programs and plans, and these should continue and be built on to further expand the message of the FBO and its many attributes. This is represented in the financial projections by ABS that include significant additional expenditures immediately and expansion of programs during the open house period of the new terminal complex.

9. SUMMARY AND CONCLUSIONS

In order to make the recommended action items and activities for McKinney Air Center, it is necessary to revisit the strengths and opportunities for the Airport. During the research and analysis for the preparation of this document, we found the an FBO that was not only well-managed with above average facilities and award-winning services, particularly in relation to other similar comparable airports, but also offering a new planned facility that has significant future potential. Nevertheless, the FBO is in need of some additional investment to secure a sound long-term financial future. TKI is fortunate to have generated some new leases over the past few years, and the Airport has adequate land for expansion and no serious threats relative to organized anti-airport community groups. In short, the FBO has excellent potential for the future. As such, here are just some of the key issues/recommendations in this FBO Strategic Business Plan.

1. Overall, McKinney Air Center has an excellent management team with lots of support from development and surrounding City organizations. Some additional coordination is needed to make sure all parties are focused on the value of the FBO. It appears that at times the FBO General Manager needs more autonomy with regard to issues such as real estate/leases fuel pricing, and the allocation of resources. The need exists to reduce City/Airport procedures tend to slow down development processes with prospective tenants.

2. The surrounding community is generally supportive of the airfield, but more work needs to be done relative to the FBO's and Airport's role in region. The area is heavily dependent on business aircraft; however, the economic base is stabilizing due to movement of affluent population from Dallas towards the north communities including McKinney.

3. The current FBO terminal is generally good, but the new proposed terminal project must be implemented as soon as possible. A free-standing terminal is preferred, as noted in the facilities section. Additional focus needs to be placed on itinerant jet aircraft, their passengers, and business influences. Additional terminal amenities and more itinerant hangar space need to be provided. Cooperative marketing activities with other service providers on the field should be implemented to support each other's goals for additional

business on the field. The current aircraft maintenance provider seems somewhat limited in its overall national presence and ability to get TKI to the next level, particularly attracting new business aircraft.

4. Generally speaking, many of the FBOs revenue sources such as fuel, land and hangar rents, and other services, are well priced for what could be considered a best value approach. This plan must be continued and further marketed.

5. Our recommendation regarding runway capacity leans towards maximizing the length and strength of the existing Runway 18/36, as opposed to constructing a parallel runway, at least in the initial 10 years of the Strategic Business Plan projection period.

6. The Airport should continue to work towards limited scheduled air services such as Allegiant or other similar carriers, but not go overboard with facilities for these carriers. The Airport is not likely to see scheduled service in the near to mid term. While the longer-term prospectus is good for some limited high-end cargo, focus and money over the next 5 years should be emphasized toward business aircraft to support the industrial property development surrounding the Airport.

7. Improvements in the overall national and local economy will be the primary influence to improving the future financial success of the FBO. However, this will only impact TKI if the FBO extensively markets their location, infrastructure and new terminal facilities on a large-scale approach.

8. Constantly look for ways to involve the local community in Airport activities, functions, and events. Seek out pilot activities, unusual arrivals, and interesting aircraft at the Airport, tours and youth programs. FBO and Airport personnel must continually sell the advantages of the City controlling the FBO and its financial advantages. Combining City amenities along with FBO incentives should maximize the opportunity to market local land development by combining City amenities along with FBO incentives.

9. Review the analysis parameters of this Strategic Business Plan on an annual basis though surveys and evaluation of competitive airports utilizing staff and tenant input.

10. While the City will likely no longer need to financially subsidize TKI and the FBO, the political support of key individuals within the City must continue to support the development of new capital improvement projects. FBO and Airport personnel must continually keep City personnel informed of changes in the marketplace and the needs of users of the FBO/Airport and runway as the most important main street and front door of the community.

CONCLUSIONS AND RECOMMENDATIONS

In conclusion, the McKinney Air Center is a significant asset to the entire McKinney and Collin County area. It is a well-maintained and managed facility, and has done an excellent and creative job of working towards award-winning services. The existing FBO staff is efficient and without redundancy. As indicated throughout this document, there are immediate and long-term investments that will need to be made to take the FBO to the next level for services and facilities.

The FBO must be managed and run as a separate and distinct business entity. While it currently, and will likely continue to be, the primary financial support entity for the Airport, it should be operated and managed like an independent, private business. Revenues generated by the FBO should remain with the FBO for accounting purposes, with financial allocations to the Airport as if it were a third-party tenant (market-based rent and fuel flowage fees). This will allow a clearer economic picture of both the FBO and Airport for planning and investment purposes. Personnel and FBO resources should not be shared, with a delineation of personnel who work at the FBO versus those working for the Airport. The cross utilization of people for both Airport operations and FBO services must be avoided. We have seen other airports that have tried to use cross-utilization of personnel and it always results in the degradation of service levels at the FBO.

While it is important to monitor the rates and fees at other FBOs in the area, it is not recommended that the City try to mirror the rates of other operations. TKI is unique and has different infrastructure and demands than other airports nearby. FBO management should remain aware of regional pricing, but always develop a rate and fee structure that is the best value for both based and itinerant users of the field. Currently, the various fuel prices, facility rates, and other FBO service charges are in the "upper mid-range", but well below ADS and DAL, which are the most competitive facilities in the region.

McKinney Air Center has a clear advantage for transient aircraft due to the facility being on the outer edge of Class B airspace, which allows for for easy in-and-out operations with minimal delays. The growing congestion at airports such as DAL and ADS will provide a unique opportunity for TKI and the FBO. The key to advancing the business of McKinney Air Center lies in the continued

work with local development entities, building community relationships, and implementing the equipment, services and facility improvements identified herein. It is recommended that this FBO Strategic Business Plan be revisited annually to update market data, review competitive airports and re-evaluate facility demands.

The above opinions, recommendations and conclusions are based on data and information provided by the City, Airport, and FBO resources, and various industry sources considered to be highly reliable and accurate. However, *ABS* reserves the right to modify its conclusions if it is discovered that pertinent information was not made available.

10. APPENDIX

- FBO Financial Recast
- *ABS* Curriculum Vitae

McKinney Air Center - TKI - Fuel Analysis

ACTUAL	2014				2015				2016			
	Gallons	Revenue	COS	Avg. Margin	Gallons	Revenue	COS	Avg. Margin	Gallons	Revenue	COS	Avg. Margin
Jet	N/A	$2,206,926	$1,423,835	N/A	986,105	$2,816,008	$1,567,031	$1.27	1,167,799	$3,142,723	$1,455,788	$1.44
Avgas	N/A	$645,968	$477,446	N/A	158,549	$749,532	$512,814	$1.49	186,763	$758,544	$463,743	$1.58
Total Gallons	888,025	$2,852,894	$1,901,281	$1.07	1,144,654	$3,565,540	$2,079,845		1,354,562	$3,901,267	$1,919,531	

Average/Gallon	Revenue	COS
Jet	$2.69	$1.25
Avgas	$4.06	$2.48

PROJECTIONS	Year 1			Year 2			Year 3			Year 4			Year 5		
	Gallons	Revenue	COS	Gallons	Revenue	COS	Gallons	Revenue	COS	Gallons	Revenue	COS	Gallons	Revenue	COS
Jet (1)	1,200,000	$3,300,000	-$1,500,000	1,236,000	$3,460,800	-$1,545,000	1,273,080	$3,628,278	-$1,591,350	1,311,272	$3,802,690	-$1,639,091	1,350,611	$3,984,301	-$1,688,263
Avgas (2)	190,000	$779,000	-$475,000	193,800	$804,270	-$484,500	197,676	$830,239	-$494,190	201,630	$856,925	-$504,074	205,662	$884,347	-$514,155
Total Gallons	1,390,000			1,429,800			1,470,756			1,512,902			1,556,273		
Average Revenue/Gal		$2.75	-$1.25		$2.80	-$1.25		$2.85	-$1.25		$2.90	-$1.25		$2.95	-$1.25
Average COS/Gal		$4.10	-$2.50		$4.15	-$2.50		$4.20	-$2.50		$4.25	-$2.50		$4.30	-$2.50

NOTES

(1) Jet Gallons increased at 3% per year

(2) Avgas Gallons increased at 2% per year

(3) Margin per gallon is based on a blended average of numerous levels of discount.

McKinney Air Center @ TKI

Recast Financial & Projection Analysis

Revenue By Department	2014	2015	2016	Year 1	Year 2	Year 3	Year 4	Year 5
Jet-A	$2,206,926	$2,816,008	$3,142,723	$3,300,000	$3,460,800	$3,628,278	$3,802,690	$3,984,301
Avgas	$645,968	$749,532	$758,544	$779,000	$804,270	$830,239	$856,925	$884,347
Negotiated Contract Fuel	$136,771	$142,125	$134,814	$140,000	$144,200	$148,526	$152,982	$157,571
Oil	$6,882	$7,069	$7,391	$8,000	$8,240	$8,487	$8,742	$9,004
Ramp Fees	$38,382	$41,050	$59,560	$190,000	$195,700	$201,571	$207,618	$213,847
Transient Storage Fees	$42,080	$43,813	$39,754	$260,000	$267,800	$275,834	$284,109	$292,632
Miscellaneous Line Service Fees	$37,317	$83,782	$143,649	$145,000	$149,350	$153,831	$158,445	$163,199
Customs and International Refuse Fees	$9,000	$10,781	$22,900	$105,000	$108,150	$111,395	$114,736	$118,178
Hangar Leases	$1,333,938	$1,784,461	$1,985,578	$2,000,000	$2,060,000	$2,121,800	$2,185,454	$2,251,018
Land Leases	$103,888	$97,724	$103,407	$105,000	$108,150	$111,395	$114,736	$118,178
Other Miscellaneous	$27,510	$11,051	$54,581	$55,000	$56,650	$58,350	$60,100	$61,903
Total Revenue	$4,588,662	$5,787,396	$6,452,901	$7,087,000	$7,363,310	$7,649,704	$7,946,538	$8,254,179

Cost of Sales	2014	2015	2016	Year 1	Year 2	Year 3	Year 4	Year 5
Jet	($1,423,835)	($1,567,031)	($1,455,788)	($1,500,000)	($1,545,000)	($1,591,350)	($1,639,091)	($1,688,263)
Avgas	($477,446)	($512,814)	($463,743)	($475,000)	($484,500)	($494,190)	($504,074)	($514,155)
Oil	($13,629)	($16,162)	($4,700)	($5,120)	($5,274)	($5,432)	($5,595)	($5,763)
Total Cost of Sales	($1,914,910)	($2,096,007)	($1,924,231)	($1,980,120)	($2,034,774)	($2,090,972)	($2,148,759)	($2,208,181)
Gross Margin	$2,673,752	$3,691,389	$4,528,670	$5,106,880	$5,328,536	$5,558,733	$5,797,779	$6,045,998

Operating Expenses	2014	2015	2016	Year 1	Year 2	Year 3	Year 4	Year 5
Credit Card Fees	($76,364)	($105,648)	($117,442)	($12,000)	($12,360)	($12,731)	($13,113)	($13,506)
Utilities (Elec, Communications, Gas, Water)	($138,653)	($99,438)	($95,784)	($100,000)	($103,000)	($106,090)	($109,273)	($112,551)
Rental Fees	($20,973)	($65,072)	($71,457)	($73,000)	($75,190)	($77,446)	($79,769)	($82,162)
Professional Services	($3,755)	($416)	($101,428)	($5,000)	($5,150)	($5,305)	($5,464)	($5,628)
Customs	$0	($9,365)	($17,589)	($18,000)	($18,540)	($19,096)	($19,669)	($20,259)
Travel/Training	($10,454)	($2,655)	($10,019)	($20,000)	($20,800)	($21,632)	($22,497)	($23,397)
Publications	($6,044)	($6,555)	($7,439)	($7,500)	($7,725)	($7,957)	($8,195)	($8,441)
Trade Associations	($1,072)	($1,275)	($1,890)	($10,000)	($10,300)	($10,609)	($10,927)	($11,255)
Mileage	($307)	($890)	($776)	($1,000)	($1,030)	($1,061)	($1,093)	($1,126)
Promotional/Advertising	($292)	($679)	($853)	($25,000)	($50,000)	($25,000)	($25,750)	($26,523)
Building Maintenance	($113,391)	($170,100)	($148,089)	($150,000)	($154,500)	($159,135)	($163,909)	($168,826)
Maintenance Other	($7,350)	($30,089)	($51,643)	($55,000)	($56,650)	($58,350)	($60,100)	($61,903)
Information Services Fee	$0	($21,994)	($21,994)	($22,000)	($22,660)	($23,340)	($24,040)	($24,761)
Supplies	($60,891)	($59,534)	($63,202)	($65,000)	($66,950)	($68,959)	($71,027)	($73,158)
Salaries/Benefits	($713,673)	($838,066)	($1,173,759)	($1,200,000)	($1,260,000)	($1,323,000)	($1,389,150)	($1,458,608)
Health/Life Insurance	($169,247)	($195,285)	($222,411)	($235,000)	($246,750)	($259,088)	($272,042)	($285,644)
Total Operating Expenses	($1,322,466)	($1,607,061)	($2,105,775)	($1,998,500)	($2,111,605)	($2,178,796)	($2,276,018)	($2,377,747)

EBITDA (Earnings Before Interest, Taxes, Depreciation & Amortization)	$1,351,286	$2,084,328	$2,422,895	$3,108,380	$3,216,931	$3,379,936	$3,521,761	$3,668,250

NOTES

Revenues from transient storage and bulk hangar leases are based upon existing facilities only, and exclude potential revenues from proposed facilities.

CURRICULUM VITAE

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EDUCATION

Graduate of the University of Tennessee with a Bachelor of Arts Degree - Major in Philosophy.

PROFESSIONAL AND TECHNICAL COURSES

Currently certified in the program of continuing education as required by the Appraisal Institute.

Completed requirements for MAI member designation of the Appraisal Institute to include peer review of appraisal assignments, completion of a demonstration appraisal report on an income-producing property, experience rating, and educational courses.

Attended numerous professional courses and seminars relative to real estate appraisal such as Capitalization Theory and Techniques, Case Studies in Real Estate Valuation, Real Estate Appraisal Principles, Basic Valuation, Residential Valuation, Investment Analysis, Uniform Standards of Professional Appraisal Practice, and Report Writing and Valuation Analysis, as presented by the American Institute of Real Estate Appraisers and the Appraisal Institute.

BACKGROUND AND EXPERIENCE

President and CEO of *ABS Aviation Consultancy, Inc. d/b/a Airport Business Solutions (ABS)*, a diverse aviation valuation and consulting firm which specializes in the analysis of airports, fixed base operations, and other aviation-related properties for lease negotiation, acquisition, litigation, leasehold and going-concern valuation, and bankruptcy, as well as providing specialized airport management consulting, to include policy development, to airports of all sizes. Additional expertise offered in the area of financial self-sufficiency analysis for general aviation airports and through-the-fence access agreements and operations.

Airport Business Solutions

BACKGROUND AND EXPERIENCE (Continued)

ABS has provided a myriad of services to airports throughout North and South America, Asia, and Europe. Using our extensive and diverse experience, *ABS* has assisted airports throughout the world in such areas as business plan development and implementation, concessions planning and management, air cargo assessments, airline agreement negotiation, terminal design analysis, parking assessment, rental car analysis, general aviation operations and management, non-aeronautical land development, financial modeling, and full or partial airport privatization assessments.

President and CEO of *ABS Aviation, Inc.*, an airport and FBO management services entity currently providing comprehensive airport management of the Minden-Tahoe Airport in Minden, Nevada.

Aviation President of Kompass Partners from 2005 through 2013. Kompass Partners was a Hong Kong-headquartered company specializing in creating successful partnerships between U.S. and Chinese aviation businesses.

Vice President and Part Owner in the firm of Hodges, McArthur, & Dunn, P.C. Real Estate Appraisers and Consultants from 1990 through 1995. Hodges, McArthur and Dunn, P.C. was a full-service real estate appraisal and consulting firm with offices in Knoxville, Nashville, and Memphis, Tennessee, and Atlanta, Georgia. Responsibilities included appraisals, general feasibility studies, and market analyses on a variety of property types involved in financing, acquisition, condemnation, bankruptcy, litigation, and estate valuation.

Founder and President of HMD Aviation Appraisal Group in 1994, a division of Hodges, McArthur & Dunn, P.C. HMD Aviation Appraisal Group was a real estate appraisal and consulting firm which specialized in the valuation of the real estate aspect of fixed base operations and other aviation-related properties for lease negotiation, acquisition, litigation, leasehold valuation, and bankruptcy.

Staff Appraiser with Hodges and Wallace Appraisal Associates from 1982 through 1990. Responsibilities included research, appraisals, general feasibility studies and market analyses on a variety of property types involved in financing, acquisition, condemnation, bankruptcy, litigation, and estate valuation.

COURT EXPERIENCE

Qualified as an expert witness in various courts in Florida, Georgia, Tennessee, Kentucky, Arizona, Colorado, and California on various valuation, management, financial and operational issues on airports, aviation businesses and aviation-related properties.

TERRITORY

Airport Business Solutions is based in Tampa, Florida, with satellite offices in Denver, Colorado and Minden, Nevada. The firm has completed a variety of assignments throughout the United States, Asia, Europe and Latin America, to include valuation, consultation, and miscellaneous advisory services.

AFFILIATIONS AND DESIGNATIONS

Elected to Membership in the Appraisal Institute with an MAI designation on April 20, 1994 - Member No. 10,333.

State of North Carolina – Certified General Real Estate Appraiser – Certificate No. A8162

State of Florida - Certified General Appraiser - License No. RZ2770

Commonwealth of Pennsylvania - Certified General Appraiser - Certificate No. GA-001626-R

State of Georgia - Certified General Real Property Appraiser - License No. CG004018

State of Texas – Certified General Real Estate Appraiser – License No. TX 1338569 G

Member of the Appraisal Institute's Young Advisory Council in 1994, 1995 and 1996

Corporate Member of the National Air Transportation Association (NATA)

Corporate Member of the American Association of Airport Executives (AAAE)

Corporate Member of the National Business Aviation Association (NBAA)

Member of AAAE's Non-Hub/GA Airport Committee

Member of NATA's Airport Business Committee

CURRICULUM VITAE

NAME: Randy D. Bisgard

TITLE: Senior Vice President

FIRM NAME: ABS Aviation Consultancy, Inc. d/b/a
Airport Business Solutions

FIRM ADDRESS: 201 S. Gilpin Street
Denver, Colorado 80209-2612

PHONE: (303) 744-0261

EDUCATION

Attended Metropolitan State College of Denver – Achieved three years towards degree and major in Aviation Management. Interest and minors also included the areas of Architectural Drawing, Meteorology, and Business.

Attended numerous aviation related training and personal development programs through employers and industry trade associations.

Hold Private Pilots Certificate – Single Engine Land

BACKGROUND AND EXPERIENCE

Senior Vice President with *Airport Business Solutions*, a diverse valuation and consulting firm headquartered in Tampa, Florida, with satellite offices in Minden, Nevada and Denver, Colorado. The firm specializes in the valuation and analysis of airports, fixed base operations, and other aviation businesses and properties for business planning, operational assessments, lease negotiation, acquisition, litigation, and valuation.

Senior Vice President and Director of Training for *ABS Aviation, Inc.*, an airport and FBO management services entity providing management of the Minden-Tahoe Airport in Minden, Nevada.

Mr. Bisgard is a professional advisor to aviation management providing expertise in the area of facility design/development, financial analysis, valuation studies, marketing, advertising, and training. His career as a problem solver includes over 30 years continuous employment in the aviation industry including 16 years at an international air carrier airport.

Airport Business Solutions

Director of Training for Integrated Airline Services, a national cargo handling company. Responsible for operational control of all safety and training functions for a nationwide network of 24 airline and cargo handling stations. Provided the development and overview of training and operations manuals, training procedures, "train-the-trainer" programs, and employee testing/certification. Developed a safety orientation and mentoring plan for new employees entitled the *BuddySafe System.* This program addresses personal safety and ramp awareness issues.

Senior Associate with Aviation Resource Group International - Consulted with aviation service company clientele regarding various business and operational issues such as facility design and development, operational reviews, financial analysis, valuation studies, regional market studies, and marketing and advertising. Conducted all marketing and advertising activities including the coordination of the firm's trade show and convention activities, resulting in a continuous expansion of client base every year.

Senior Associate with the Aviation Training Institute - Wrote, produced, and managed the development of a nine-module comprehensive video-based aviation safety and customer service training program. This award-winning program is recognized as the industry standard for ramp safety training and has contributed to a substantial reduction in employee turnover and ramp accidents for ATI clientele. Initiated training program development budget, and ultimately managed the sale and distribution of multiple training products to hundreds of aviation businesses around the world.

Corporate Manager of Marketing for Jet Aviation Denver, Inc.- Direct supervision of all customer service and facilities personnel. Developed additional customer base in the area of fuel sales to corporate flight departments. Established competitive fuel pricing structures and extensive direct mail and telephone call campaigns resulting in improved departmental revenues.

Corporate Manager of Marketing for Jet Aviation America - Responsible for system-wide corporate marketing that included over 20 domestic and international locations. Developed a new trade show display, new corporate brochure, pilot handouts, corporate slide presentation, and a new media advertising campaign which resulted in the repositioning of Jet Aviation as a major competitor in the U.S. marketplace.

Manager of Marketing/Construction Development for Jet Aviation – Randy was responsible for redeveloping the image and facilities of the former Atlas Aircraft facility in Denver, including a new marketing campaign, collateral materials, and new facilities. He also served as the Project Manager on a multi-million dollar facility improvement package including a new 10,000 square foot executive terminal and 300,000 square feet of ramp and site improvements. Responsibilities included design development work, direct interface with architects and engineers, selection of a general contractor, construction monitoring in the field, and controlling the disbursement of funds.

BACKGROUND AND EXPERIENCE (Continued)

Director of Marketing Services at Combs Gates Denver - Managed the advertising and marketing support for the FBO division of the Gates Learjet Corporation, including media advertising, collateral materials, direct mail, promotional programs, and trade show activities. In addition, he was the Corporate Training Director and standardized the training programs and procedures for all Combs Gates locations. He developed and produced a seven-part audio-visual line service-training program for in-house use, and also produced a non-proprietary line-training program that was marketed to other aviation service organizations.

TERRITORY

Airport Business Solutions is based in Tampa, Florida, with satellite offices in Denver, Colorado, and Minden, Nevada. The firm has completed a variety of assignments throughout the United States, Asia, Europe and Latin America, to include valuation, consultation, and miscellaneous advisory services.

AFFILIATIONS AND DESIGNATIONS

National Business Aviation Association

American Association of Airport Executives

National Air Transportation Association

Aircraft Owners & Pilots Association

National Safety Council

American Society for Training and Development