

Economic and Fiscal Impact Analysis Prescott Regional Airport (PRC)



October 2018

Prepared for:

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City of Prescott

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Executive Summary

Prescott Regional Airport (PRC) is an important economic development catalyst for the Prescott region, offering commercial air service and available land for manufacturing operations and distribution. The Airport is the 36th busiest airport in the nation and fourth busiest in Arizona behind Sky Harbor, Deer Valley, and Falcon Field. In terms of general aviation operations, Prescott is the fifth busiest airport in the nation and second in Arizona. Most recently, SkyWest Airlines, operating at United Express, was selected to provide Essential Air Service at PRC. This impact study includes the direct impacts as well as the ripple effects generated throughout the economy of all operations including airport-associated visitor spending impacts and impacts generated by the aviation students of the nearby Embry Riddle Aeronautical University. The following tables summarize the benefits in terms of jobs, wages and output (economic impact) along with the resulting government revenues (fiscal impact).

Economic Impact

The Prescott Regional Airport creates a total economic impact of \$160.3 million annually, supporting 1,366 jobs with wages of \$53.9 million.

The impacts by category are provided in the following table. Direct operations of the airport, including capital improvement projects as well as impacts from aviation students at Embry Riddle (ERAU), created 796 jobs with wages of \$36.0 million and the direct economic output was \$102.3 million. Spending by visitors arriving at the airport generated an additional 157 direct jobs with \$3.7 million in wages and \$9.7 million in direct economic activity. Using accepted economic multipliers, the indirect and induced economic output was \$48.3 million. This represents 413 indirect and induced jobs with wages of \$14.2 million.

Prescott Regional Airport Economic Impact Summary (2018 Dollars)			
Economic Impact Sources	Employment	Payroll (\$ mil)	Economic Activity (\$ mil)
Direct Impacts:			
Airport and Business Operations	796	\$36.0	\$102.3
Prescott Regional Airport	734	\$33.1	\$94.4
Capital Improvement Projects	61	\$2.9	\$7.9
Air Visitor Spending	157	\$3.7	\$9.7
Total Direct Impact	953	\$39.8	\$112.0
Indirect Impact	174	\$6.2	\$20.2
Induced Impact	239	\$8.0	\$28.1
TOTAL ECONOMIC IMPACT	1,366	\$53.9	\$160.3

Source: Implan; Elliott D. Pollack & Company; Prescott Municipal Airport; FMR Associates



Fiscal Impact

The operations of Prescott Regional Airport including visitor spending generate an estimated \$2.3 million for the State of Arizona, \$978,280 for Yavapai County, \$628,440 for the City of Prescott and \$448,630 for the surrounding local communities.

Fiscal impact analysis studies the public revenues associated with a particular economic activity. For this study, the revenues generated for the State of Arizona, Yavapai County, the City of Prescott and surrounding local governments are calculated. Both primary (direct taxes generated by the company or tourist spending) and secondary revenues (taxes that flow from the wages of those direct, indirect and induced employees who are supported by the company or visitor spending) are calculated. For example, the visitors will generate “primary” revenues from spending on retail, restaurants, hotels and entertainment. The employees supported by the spending would then spend part of their salaries on local goods and services. These employees would also contribute to revenues collected by the State and that are ultimately shared with local counties and cities.

Arizona state government receives an estimated \$2.3 million in revenue from the operations and visitor spending impacts generated each year. This includes \$352,000 from capital improvements, \$1.3 million from annual operations, and \$679,250 generated by visitor spending.

The fiscal impact generated to Yavapai County was estimated to be \$978,280 on average each year. This includes the \$93,070 from capital improvements, \$685,020 from annual operations, and \$200,190 from visitor spending.

The City of Prescott receives similar revenues for a total \$628,440 each year. Revenues from construction for the City of Prescott were estimated at \$157,100. An additional \$277,240 from operations and \$194,100 from tourist spending including lodging were generated.

The surrounding local governments receive taxes from visitor spending as well as secondary revenues from the employees that live in these surrounding communities. In total, an additional \$448,630 is generated each year from these sources. This includes \$262,800 from primary impacts and an estimated \$185,830 in secondary impacts.



Prescott Regional Airport Fiscal Impact Summary (2018 Dollars)				
	Capital Improvements	Operations PRC	Visitor Spending	Total
<u>State of Arizona</u>				
Primary revenues	\$219,400	\$81,220	\$467,050	\$767,670
Secondary revenues from employment	\$132,600	\$1,209,200	\$212,200	\$1,554,000
Total	\$352,000	\$1,290,420	\$679,250	\$2,321,670
<u>Yavapai County</u>				
Primary revenues	\$38,370	\$11,820	\$81,890	\$132,080
Secondary revenues from employment	\$54,700	\$673,200	\$118,300	\$846,200
Total	\$93,070	\$685,020	\$200,190	\$978,280
<u>City of Prescott</u>				
Primary revenues	\$140,700	\$95,740	\$164,100	\$400,540
Secondary revenues from employment	\$16,400	\$181,500	\$30,000	\$227,900
Total	\$157,100	\$277,240	\$194,100	\$628,440
<u>Surrounding Local Governments</u>				
Primary revenues	N/A	N/A	\$262,800	\$262,800
Secondary revenues from employment	\$13,400	\$148,130	\$24,300	\$185,830
Total	\$13,400	\$148,130	\$287,100	\$448,630
NOTE: All figures are intended only as a general guideline as to how the jurisdictions could be impacted. Surrounding local governments include estimates for Prescott Valley, Chino Valley and Dewey-Humboldt. Figures exclude aircraft license taxes, flight property taxes, and aviation fuel taxes. Figures do not include any potential exemptions from prime contracting TPT.				
Sources: Elliott D. Pollack & Company; Prescott Municipal Airport; ATRA; Implan				



1.0 Introduction

1.1 Purpose of Study

Elliott D. Pollack & Company was retained to perform an economic and fiscal impact analysis of the Prescott Regional Airport (PRC), including airport operations as well as the impacts from the businesses that operate on the airport property. In addition, the impact of airport-associated visitor spending in the local economy is included along with the impacts generated by aviation students of the nearby Embry Riddle Aeronautical University (ERAU). The analysis was designed to estimate the impact on the economy and governmental revenues generated from each of the above categories.

Prescott Regional Airport is an important economic development catalyst for the Prescott region, offering commercial air and general aviation service. The airport property also offers available land for manufacturing and distribution operations. Indeed, a well-maintained aviation system is a critical competitive advantage in today's global marketplace, facilitating business and leisure travel, cargo shipments and enhancing business investment.

Most importantly, as outlined in this report, aviation creates jobs and tax revenue. The revenue generated from airports and the employees in the industry provide significant revenue to the State, county and local governments. In addition, aviation facilitates tourism. The Prescott Regional Airport not only supports the visitors that come to enjoy the beauty of the area, its resorts, golf courses, and to attend conventions but also attracts outside visitors to attend various air shows and events on-site. These visitors bring outside dollars into the local economy that helps stimulate the economy and increase tax revenues. And finally, the airport is critical to the training and higher education at the nearby Embry Riddle Aeronautical University. The University is an important contributor to the economy in terms of daily operations, out-of-state student spending, out-of-town visitors and capital expenditures.

1.2 Economic & Fiscal Impact Definition

Economic impact analysis examines the regional implications of an activity in terms of three basic measures: output, earnings and job creation. Fiscal impact analysis, on the other hand, evaluates the public revenues and costs created by a particular activity. In fiscal impact analysis, the primary revenue sources of a city, county or state government are analyzed to determine how the activity may financially affect them.

1.3 Limiting Conditions

This study prepared by Elliott D. Pollack & Company is subject to the following considerations and limiting conditions.

- It is our understanding that this study is for the client's due diligence and other planning purposes. Neither our report, nor its contents, nor any of our work were



intended to be included and, therefore, may not be referred to or quoted in whole or in part, in any registration statement, prospectus, public filing, private offering memorandum, or loan agreement without our prior written approval.

- The reported recommendation(s) represent the considered judgment of Elliott D. Pollack & Company based on the facts, analyses and methodologies described in the report.
- Except as specifically stated to the contrary, this study will not give consideration to the following matters to the extent they exist: (i) matters of a legal nature, including issues of legal title and compliance with federal, state and local laws and ordinances; and (ii) environmental and engineering issues and the costs associated with their correction. The user of this study will be responsible for making his/her own determination about the impact, if any, of these matters.
- All estimates regarding operating data were approved by the Prescott Regional Airport. A survey was conducted by Elliott D. Pollack & Company for business operating data. All data has been reviewed and verified to determine its reasonableness and applicability to the study.
- This economic and fiscal impact study evaluated the “gross impacts” of activities. The term “gross impacts” as used in this study refers to the total revenue, jobs and economic output that have been generated by operations and visitor spending. The study does not take into account the possible reduction in spending for other retail goods or entertainment events due to the impact on the economy. In addition, the study does not consider the costs to local governments associated with providing services to the airport. Such analysis is beyond the scope of this study.
- The analysis is based on the current tax structure and rates imposed by the State, Yavapai County, the City of Prescott and other local governments. Changes in those rates would alter the findings of this study.
- All dollar amounts are stated in current dollars and, unless indicated, do not take into account the effects of inflation.
- Our analysis is based on currently available information and estimates and assumptions. Such estimates and assumptions are subject to uncertainty and variation. Accordingly, we do not represent them as results that will be achieved going forward. Some assumptions inevitably will not materialize and unanticipated events and circumstances may occur; therefore, the actual results achieved may vary materially from the forecasted results. The assumptions disclosed in this study are those that are believed to be significant to the estimates of results.



2.0 Assumptions & Methodology

The following section outlines the assumptions used in the analysis along with the methodology of the economic and fiscal impact analysis. The results of the analysis are provided in the subsequent sections and are broken down by the economic and fiscal impact of following categories:

1. Operations of PRC including the surrounding businesses located on airport property as well as impacts generated by aviation students at the nearby Embry Riddle Aeronautical University.
2. The impact of capital improvements including new construction as well as maintenance and repair of existing buildings.
3. Visitor spending impacts generated by the tourists either arriving by air or directly related to the airport and bringing outside dollars to spend in the local economy.

2.1 Analysis Assumptions

The inputs for the analysis of operations were based primarily on an independent survey conducted by Elliott D. Pollack & Company (approved by PRC) from April 2nd through May 25th, 2018 and updated in September 2018. The survey was administered to all tenants on airport property and collected information on the number of employees, annual payroll, contractor payments and various taxable operations. Industry averages in terms of wages and taxable spending were used to complete the data for companies that did not respond to all questions on the survey. The following operations and companies were surveyed for the analysis.

Prescott Regional Airport Businesses Surveyed	
Air-Co	North-Aire
ARFF	Powell Upholstery
AZ Aircraftman	PRC Operations (includes Tower, Admin., Security)
Cobham Aerospace / Chelton Avionics	Prescott Aircraft
Commercial Airline	Prescott Hangar LLC
Embry Riddle Aeronautical University	Susie's Restaurant
FAST INC	Tac-Aero
Guidance Aviation	TSA
Hertz Rental Car	United States Forest Service
Legend Aviation	Universal Helicopters
Mile High Avionics	

Survey conducted April 2 - May 25th, 2018
Source: EDP Co.; Prescott Municipal Airport

The operations analysis outlined in this report also includes the impact generated by Embry Riddle Aeronautical University (ERAU). Indeed, ERAU is a significant contributor to the local economy. The figures used in the analysis are based on the economic impact study produced by Washington Economic Group (WEG) in 2016. In order to not overstate the value of Prescott Regional Airport to ERAU, this analysis uses a share of the total impact estimated by WEG based on the share of student population studying aviation at the University.



The inputs for calculating the impacts of construction were based on the Airport Capital 5 Year Plan. The average annual capital improvement value for FY19 through FY23 was used to approximate annual construction spending at the airport.

Visitor impacts are based on data provided by PRC on the number of commercial deplanements and general aviation itinerant operations. Available industry data was used for the analysis of visitor spending impacts such as their length of stay, travel party size, accommodations, and spending per person per day. Detailed assumptions and methodology used in the visitor impact analysis can be found in section 4.0 of this report.

Beyond the above listed sources, the analysis uses basic economic fundamentals regarding economic impact analysis such as using the Consumer Expenditure Survey to determine spending patterns of employees based on their respective wages and Census survey results used for calculating the percentage of employees that live within the county or city in which they work. All values are expressed in current dollars.

2.2 Economic Impact Methodology

Economic impact analysis examines the economic implications of an activity in terms of output, earnings and employment. The different types of economic impacts are known as direct, indirect and induced, according to the manner in which the impacts are generated. For instance, direct employment consists of permanent jobs held by employees either at the airport or in the tourism industry. Indirect employment is those jobs created by businesses that provide goods and services essential to the operation of the companies or tourism industry. These businesses range from manufacturers (who make goods) to wholesalers (who deliver goods) to janitorial firms (who clean the buildings). Finally, the spending of the wages and salaries of the direct and indirect employees on items such as food, housing, transportation and medical services creates induced employment in all sectors of the economy, throughout the metropolitan area. These secondary effects are captured in the analysis conducted in this study.

Multipliers have been developed to estimate the indirect and induced impacts of various direct economic activities. The IMPLAN Group, LLC developed the multipliers used in this study. The economic impact is categorized into three types of impacts:

- (1) **Employment Impact** – the total wage and salary and self employed jobs in a region. Jobs include both part-time and full-time workers.
- (2) **Earnings Impact** – the personal income, earnings or wages, of the direct, indirect and induced employees. Earnings include total wage and salary payments as well as benefits of health and life insurance, retirement payments and any other non-cash compensation.



- (3) **Economic Output** – also referred to as economic activity, relates to the gross receipts for goods or services generated by the company’s operations.

2.3 Fiscal Impact Methodology

Fiscal impact analysis studies the public revenues associated with a particular economic activity. The primary revenue sources of local, county and state governments (i.e. taxes) are analyzed to determine how an activity may affect the various jurisdictions. This study will evaluate the impact on State and local government revenues.

The fiscal impact figures cited in this report have been generated from information provided by a variety of sources including the U.S. Bureau of the Census; the U.S. Department of Labor; the Internal Revenue Service; the State of Arizona; the Arizona Tax Research Association; and the U.S. Consumer Expenditure Survey. Elliott D. Pollack & Company has relied upon the estimates of operating revenues generated by the survey as well as additional existing studies as outlined in section 2.1 of this report. Unless otherwise stated, all dollar values are expressed in current dollars.

Fiscal impacts are categorized by type in this study, similar to economic impact analysis. The major sources of revenue generation for governmental entities are related to the ongoing operations, capital improvements and visitor spending.

The companies and visitors will generate “primary” revenues from direct sales, leases on rents, and visitor spending on retail, restaurants, hotels and entertainment. The employees supported by the impacts would spend part of their salaries on local goods and services. These employees would also contribute to revenues collected by the State and that are ultimately shared with local counties and cities.

The following is a description of the applicable revenue sources that will be considered for this analysis. These taxes are the major revenue sources and exclude certain taxes (such as corporate income tax) that would create additional impact. Thus, revenue estimates can be considered conservative.

- **Transaction Privilege Tax (Sales Tax)**

The State, counties, and local cities charge transaction privilege tax (TPT) on retail goods and services. The sales tax rate for the State is 5.6%, which includes a 5.0% tax (a portion of which is shared with counties and cities) and 0.6% that is not shared. Yavapai County levies a rate of 0.75%. The City of Prescott’s TPT rate is 2.0%. For this report, employees as well as visitors are assumed to also live or spend money in the surrounding towns of Prescott Valley (2.83%), Chino Valley (4.0%) and Dewey-Humboldt (2.0%). TPT rates are applied to taxable sales, taxable visitor spending as well as to the spending of direct, indirect and induced employees. Based on data from the U.S. Consumer Expenditure Survey, the projected extent of retail spending and resulting sales tax receipts was calculated.



- Bed Tax
The State of Arizona imposes a bed tax on hotel rooms of 5.5%. A portion of the State's bed tax collections are shared with county and city governments based on a formula that considers both point of sale and population. Yavapai County levies a transient lodging tax of 0.825%. The City of Prescott levies a 5.5% transient lodging tax (when combined with the sales tax) while surrounding towns of Prescott Valley, Chino Valley and Dewey-Humboldt levy rates of 5.66%, 8.0% and 4.0%, respectively.
- Construction Sales Tax
The state, counties and cities in Arizona levy a sales tax on materials used in the construction and development of land improvements. That tax is calculated by state law under the assumption that 65% of the construction cost of the facility and its land improvements are related to construction materials with the remaining 35% devoted to labor. The sales tax rate is then applied to the 65% materials figure. The sales tax on construction materials is a one-time collection by the governmental entity. Yavapai County levies a rate of 0.75% and the City of Prescott's rate is 2.75%.
- Jet Fuel Excise Tax
The State of Arizona levies a jet fuel excise tax on the sale of jet fuel. The tax rate is \$0.035 per gallon on the first 10 million gallons of jet fuel per filer. The tax does not apply jet fuel purchased by commercial airlines and used on flights whose destination is outside the United States. The City will also receive revenues from jet fuel tax (\$0.015 per gallon) and fuel flowage fees (\$0.12 per gallon).
- Property Taxes
Property taxes are levied by counties, cities and special districts on commercial and residential properties based on the net assessed value estimated by the County Assessor. The companies analyzed in this study are located on City of Prescott property and, thus, exempt from direct property taxes. However, employees supported by the visitor spending and operations will pay property taxes on the homes they occupy. In order to estimate property taxes, the assessed full cash value of a typical housing unit was calculated.
- State Unemployment Tax
Unemployment insurance tax for employees is 2.7% on the first \$7,000 of earned income. This factor is applied to the projected wages and earnings of employees.
- State Shared Revenues
Each city in Arizona receives a portion of State revenues from four different sources - State sales tax (see description above), State income tax, vehicle license tax and highway user tax. The formulas for allocating these revenues are primarily based on population. Counties also share in the revenue sources of the State, with the exception of income tax.



State Income Tax

The State of Arizona collects taxes on personal income. The tax rate used in the analysis averages about 1.6% for earnings. This tax is applied to the wages and earnings of direct and indirect employment.

HURF Taxes

The State of Arizona collects specific taxes for the Highway User Revenue Fund (HURF). Both the registration fees and the motor vehicle fuel tax (gas tax) are considered in this analysis. The motor vehicle fuel tax is \$0.18 per gallon and is calculated based on a vehicle traveling 12,000 miles per year at 20 miles per gallon. These factors are applied to the projected direct and indirect employee count.

Vehicle License Tax

The vehicle license tax is a personal property tax placed on vehicles at the time of annual registration. This factor is applied to the projected direct, indirect and induced employee count. The average tax used in this analysis is \$325 and portions of the total collections are distributed to the Highway User Revenue Fund.

The above tax categories represent the largest sources of revenues that would be generated to City, County and State governments. This analysis considers gross tax collections and does not differentiate among dedicated purposes or uses of such gross tax collections.



3.0 Impact of Operations

The operations of Prescott Regional Airport and surrounding businesses generate a significant impact on the Arizona economy, Yavapai County and Prescott area because of the large number of airport-related jobs and activity both on and the site. This section of the report focuses on the jobs, wages and economic output generated by the operations along with the fiscal impacts generated. The operations impacts include impacts generated by capital improvements in terms of new construction, maintenance and repair. The impact generated by the visitors is presented in section 4.0 of this report.

3.1 Operating Assumptions

In total, there were an estimated 731 direct jobs associated with the Prescott Regional Airport. These include both on-site jobs such as employees of the airport, terminal businesses, passenger services, fixed based operations and ground transportation as well as off-site jobs at organizations such as Universal Helicopters, Guidance Aviation and Cobham Avionics. In addition, the figures include a share of the economic impact of Embry Riddle Aeronautical University (as described in section 2.0 of this report). Wages for the direct jobs were estimated to be \$33.0 million.

Reported average annual capital improvements totaled \$7.8 million. This figure is used to generate the impact from annual construction. Based on the survey results, companies pay a total of \$738,000 in annual commercial lease payments, and generate taxable sales of about \$1.6 million. Total gallons of fuel purchased are estimated at 120,000 gallons per year.

Prescott Regional Airport Operating Assumptions (2018 Dollars)	
Total Direct Jobs	734
Total Direct Wages (\$ mil)	\$33.1
Average Annual Capital Improvements	\$7,800,000
Annual commercial lease payments	\$738,000
Annual taxable sales	\$1,576,000
Gallons of Jet Fuel	388,440

Source: EDP Co Survey; Prescott Municipal Airport; Washington Economics Group

3.2 Economic Impact of Operations

The following table provides the economic impact resulting from the annual operations of PRC, including the impact generated by aviation students at Embry Riddle Aeronautical University and from estimated annual capital improvements. This includes the number of jobs created, wages and economic output. The total number of direct employees was estimated to be 796



with annual wages for these employees of \$36.0 million. This direct economic activity also creates ripple effects throughout the economy generating an additional 377 indirect and induced jobs that make a total of \$13.0 million in annual wages. Overall, the economic activity averages \$146.5 million annually.

Prescott Regional Airport Economic Impact of Operations (2018 Dollars)			
	Jobs	Wages (\$ mil)	Output (\$ mil)
Business Operations			
Direct	734	\$33.1	\$94.4
Indirect	147	\$5.3	\$17.1
Induced	205	\$6.8	\$24.1
Total	1,087	\$45.2	\$135.7
Capital Improvements			
Direct	61	\$2.9	\$7.9
Indirect	10	\$0.4	\$1.2
Induced	15	\$0.5	\$1.8
Total	86	\$3.8	\$10.8
Total			
Direct	796	\$36.0	\$102.3
Indirect	157	\$5.7	\$18.3
Induced	220	\$7.3	\$25.9
Total	1,173	\$49.0	\$146.5

Source: Implan; EDPCo; Prescott Municipal Airport

3.3 Fiscal Impact of Operations

Primary revenues generated by annual operations of the Prescott Regional Airport include construction sales taxes collected from prime contracting, direct sales taxes generated by food establishments and rental car taxes as well as taxes generated from locally purchased supplies and jet fuel excise taxes. Additional direct revenues such as aircraft license taxes, flight property taxes and aviation fuel taxes were likely generated but are not included in this report. Specific information on these fund sources was not readily available and, thus, figures can be considered conservative.

Each year, the State collects an estimated \$300,615 from primary taxable sales and jet fuel excise taxes. Secondary revenues generated by employees total an estimated \$1.3 million. Overall, the operations of PRC generates \$1.6 million for the State of Arizona each year.



Prescott Regional Airport Fiscal Impact of Operations State of Arizona Revenues (2018 Dollars)	
Total Primary Operations Impact	
Construction sales tax	\$219,400
Sales tax	\$67,620
Jet Fuel Tax	\$13,600
Total Secondary impact from operations employees	
Employee spending sales tax	\$622,400
Personal Income Tax	\$217,200
Unemployment tax	\$221,700
VLT	\$171,700
HURF	\$108,800
Total State Revenues	\$1,642,420
<p>Note: Figures exclude aviation fuel, flight property and aircraft licence taxes. The estimates for jet fuel taxes assume no exemptions over 10 million gallons. Sources: Elliott D. Pollack & Company; Prescott Municipal Airport; ATRA; Implan</p>	

Yavapai County also benefits from the operations of the companies throughout the year. In total, primary revenues approximate \$50,190 in construction and sales taxes. An additional \$727,900 in tax revenues is generated by the employees that will live in the County for a total impact of \$778,090 each year.

Prescott Regional Airport Fiscal Impact of Operations Yavapai County Revenues (2018 Dollars)	
Total Primary Operations Impact	
Construction sales tax	\$38,370
Sales tax	\$11,820
Total Secondary impact from operations employees	
Employee spending sales tax	\$108,500
Residents property tax	\$618,800
State shared revenue	\$600
Total County Revenues	\$778,090
<p>Sources: Elliott D. Pollack & Company; Prescott Municipal Airport; ATRA; Implan</p>	

The City realizes an estimated \$236,440 in primary taxes along with an estimated \$197,900 from secondary impacts each year. Local governments receive an additional \$161,530 in secondary revenues from operations. These estimates are based on work-live relationship and spending patterns as outlined in the assumptions section of this report.



Prescott Regional Airport Fiscal Impact of Operations City of Prescott Revenues (2018 Dollars)	
Total Primary Operations Impact	
Construction sales tax	\$140,700
Sales and commercial lease tax	\$43,300
Fuel flowage fees and jet fuel tax	\$52,440
Total Secondary impact from operations employees	
Employee spending sales tax	\$175,600
Residents property tax	\$19,570
State shared revenue	\$2,730
Total City Revenues	\$434,340
Additional revenues collected by surrounding communities	
Employee spending sales tax	\$158,490
State shared revenue	\$3,040
Total City Revenues	\$161,530
Sources: Elliott D. Pollack & Company; Prescott Municipal Airport; ATRA; Implan	



4.0 Impact of Visitor Spending

An indirect benefit of the aviation industry is the ability of travelers to visit the region for both business and leisure purposes. The spending of the visitors has a direct fiscal impact on revenues as well as an impact on the secondary revenues generated by the employees supported by the visitor spending. Visitors considered in the analysis include commercial and general aviation passengers (and crew) as well as the summer USFS staff that come to work and stay in local hotels and spend their income on local goods and services.

4.1 Analysis Methodology

Various methodologies were used to determine the impact of tourists arriving to PRC by air. The methodologies depended upon the manner in which they flew to the airport – either by commercial service or by general aviation aircraft. A description of each methodology follows.

Visitors Arriving by Commercial Service

For the commercial service, it was assumed that 50% of all deplanements were visitors to the area. This assumption primarily came from the Tucson International Airport study. However, ASU's survey of Phoenix Sky Harbor International Airport showed that 54.6% of deplanements were visitors to the area. Phoenix Mesa Gateway's study showed that 62% of deplanements were visitors. The Prescott Regional Airport has an average of 25,550 commercial air service deplanements each year, which equates to an estimated 12,775 visitors that arrive via air. Length of stay and spending per person per day were based on previous surveys conducted.

Visitors Arriving via General Aviation

For general aviation, visitation was based on the number of transient operations as determined by data from AirNav or ATADS (provided by PRC). PRC has an annual average of about 74,859 itinerant operations each year. The count of total visitors was estimated at two persons per transient operation. Based on surveys conducted for studies in other states, 10% of all visitors were assumed to stay overnight. Thirty percent (30%) of all visitors were assumed to be day visitors who left the airport for a local trip. Of the remaining transient operations, it was assumed the visitors did not leave the airport premises.

The following table summarizes the assumptions used in the analysis. USFS seasonal employees stay an estimated average of 60 days each year for a total of 3,900 visitor days. Commercial aviation arrivals are expected to stay an average of 3.9 days while general aviation visitors stay an average of 2.0 days. Total spending per person per day averages \$186 for business travelers and \$129 for leisure travelers (for a weighted average daily spend figure of \$136 for commercial aviation travelers), \$90 for overnight general aviation visitors and \$30 per day for day trips.



Prescott Regional Airport Visitor Assumptions (2018 Dollars)				
	USFS Seasonal	Commercial Aviation	Itinerant Overnight	Itinerant Day trip
Length of stay (days)	60	3.9	2	1
Total number of visitor days	3,900	49,823	29,944	44,915
Spending per person per day	\$186	\$136	\$90	\$30
Total spending	\$725,400	\$6,796,287	\$2,694,924	\$1,347,462

Source: EDP Co; Prescott Municipal Airport

Based on these assumptions total visitor spending was estimated at \$11.6 million per year. This spending was broken down into spending categories (lodging, food & beverage, entertainment, ground transportation, shopping and other) and ran through the corresponding multiplier to estimate the number of jobs, wages and economic activity generated by the spending.

4.2 Economic Impact of Visitor Spending

The following table provides the economic impact of the visitor spending including resulting wages and economic output. The \$11.6 million in spending generates 157 direct jobs in the local economy with wages of \$3.7 million. Indirect and induced impacts include an additional 36 jobs with total wages of \$1.2 million and economic output of \$4.1 million. This equates to a total impact of 193 jobs created with wages of \$4.9 million and total annual economic output of \$13.8 million.

Prescott Regional Airport Economic Impact of Visitor Spending (2018 Dollars)			
	Jobs	Wages (\$ mil)	Output (\$ mil)
Direct	157	\$3.7	\$9.7
Indirect	17	\$0.5	\$1.8
Induced	19	\$0.6	\$2.2
Total	193	\$4.9	\$13.8

NOTE: The figures above exclude the impact from car rental spending that is accounted for in the operations section of this report.
Source: Implan; EDP Co; Prescott Municipal Airport



4.3 Fiscal Impact from Visitor Spending

Primary revenues generated by visitor spending include sales taxes, bed taxes, and car rental taxes. This spending generates an estimated \$467,050 in tax revenue for the State of Arizona each year. This includes \$233,100 in sales taxes, \$155,980 in bed taxes, and \$77,970 in car rental taxes (including the additional 5.0% Arizona surcharge). Additional secondary revenues of \$212,200 are collected each year, for a total impact of \$679,250.

Prescott Regional Airport Fiscal Impact of Air Visitor Spending State of Arizona Revenues (2018 Dollars)	
Total Primary Impact	
Sales Tax	\$233,100
Bed Tax	\$155,980
Car Rental Tax	\$77,970
Total Secondary Impact	
Employee spending sales tax	\$91,800
Personal Income Tax	\$37,600
Unemployment tax	\$36,500
VLT	\$28,300
HURF	\$18,000
Total State Revenues	\$679,250
Note: Figures include direct, indirect and induced revenues. Sources: Elliott D. Pollack & Company; Prescott Municipal Airport; ATRA; Implan	

Yavapai County collects an estimated total of \$200,190 in tax revenue each year generated by visitor spending. This includes \$81,890 from primary revenues along with \$118,300 in secondary revenues generated by the spending of employees that supported by the tourism industry.



Prescott Regional Airport Fiscal Impact of Air Visitor Spending Yavapai County Revenues (2018 Dollars)	
Total Primary Impact	
Sales Tax	\$40,800
Bed Tax	\$34,800
Car Rental Tax	\$6,290
Total Secondary Impact	
Employee spending sales tax	\$16,300
Residents property tax	\$101,900
State shared revenue	\$100
Total County Revenues	\$200,190
Sources: Elliott D. Pollack & Company; Prescott Municipal Airport; ATRA; Implan	

The City of Prescott revenues generated by visitor spending include \$59,800 from sales taxes, \$81,200 in bed taxes, \$23,100 from car rental tax and \$30,000 in secondary revenues from tourism-related employee spending. These figures take into account that some visitors will stay and spend their vacation dollars outside of Prescott city limits.

Prescott Regional Airport Fiscal Impact of Visitor Spending City of Prescott Revenues (2018 Dollars)	
Total Primary Impact	
Sales	\$59,800
Bed Tax	\$81,200
Car Rental Tax	\$23,100
Total Secondary Impact	
Employee spending sales tax	\$26,400
Residents property tax	\$3,200
State shared revenue	\$400
Total City Revenues	\$194,100
Sources: Elliott D. Pollack & Company; Prescott Municipal Airport; ATRA; Implan	

The surrounding local communities of Prescott Valley, Chino Valley and Dewey-Humboldt also receive benefit from the spending of the visitors. Figures were estimated based on the hotel room distribution by city. Indeed, revenues generated by visitor spending include \$98,000 from sales taxes, \$164,800 in bed taxes and \$24,300 in secondary revenues from tourism-related employee spending.



Prescott Regional Airport Fiscal Impact of Visitor Spending Local Government Revenues (2018 Dollars)	
Total Primary Impact	
Sales	\$98,000
Bed Tax	\$164,800
Car Rental Tax	N/A
Total Secondary Impact	
Employee spending sales tax	\$23,800
State shared revenue	\$500
Total revenues for surrounding communities	\$287,100
Sources: Elliott D. Pollack & Company; Prescott Municipal Airport; ATRA; Implan	



5.0 Summary of Impacts

The following tables summarize the total economic and fiscal impact of the operations of Prescott Regional Airport and its surrounding businesses along with visitor spending facilitated by the airport.

5.1 Economic Impact Summary

Direct operations of the airport, including capital improvement projects as well as impacts from aviation students at ERAU, created 796 jobs with wages of \$36.0 million and the direct economic output was \$102.3 million. Spending by visitors arriving at the airport generated an additional 157 direct jobs with \$3.7 million in wages and \$9.7 million in direct economic activity. Using accepted economic multipliers, the indirect and induced economic output was \$48.3 million. This represents 413 indirect and induced jobs with wages of \$14.2 million.

In total, the Prescott Regional Airport creates a total economic impact of \$160.3 million annually, supporting 1,366 jobs with wages of \$53.9 million.

Prescott Regional Airport Economic Impact Summary (2018 Dollars)			
Economic Impact Sources	Employment	Payroll (\$ mil)	Economic Activity (\$ mil)
Direct Impacts:			
Airport and Business Operations	796	\$36.0	\$102.3
Prescott Regional Airport	734	\$33.1	\$94.4
Capital Improvement Projects	61	\$2.9	\$7.9
Air Visitor Spending	157	\$3.7	\$9.7
Total Direct Impact	953	\$39.8	\$112.0
Indirect Impact	174	\$6.2	\$20.2
Induced Impact	239	\$8.0	\$28.1
TOTAL ECONOMIC IMPACT	1,366	\$53.9	\$160.3

Source: Implan; Elliott D. Pollack & Company; Prescott Municipal Airport; FMR Associates

5.2 Fiscal Impact Summary

Arizona state government receives an estimated \$2.3 million in revenue from the operations and visitor spending impacts generated each year. This includes \$352,000 from capital



improvements, \$1.3 million from annual operations, and \$679,250 generated by visitor spending.

The fiscal impact generated to Yavapai County was estimated to be \$978,280. This includes the \$93,070 from capital improvements, \$685,020 from annual operations, and \$200,190 from visitor spending.

The City of Prescott receives similar revenues for a total \$628,440 each year. Revenues from construction for the City of Prescott were estimated at \$157,100. An additional \$277,240 from operations and \$194,100 from tourist spending including lodging were generated.

The surrounding local governments receive taxes from visitor spending as well as secondary revenues from the employees that live in these surrounding communities. In total, an additional \$448,630 is generated each year from these sources. This includes \$262,800 from visitor spending primary impacts and an estimated \$185,830 in secondary impacts.

In total, the operations of Prescott Regional Airport including visitor spending generates an estimated \$2.3 million for the State of Arizona, \$978,280 for Yavapai County, \$628,440 for the City of Prescott and \$448,630 for the surrounding local communities.

Prescott Regional Airport Fiscal Impact Summary (2018 Dollars)				
	Capital Improvements	Operations PRC	Visitor Spending	Total
<i>State of Arizona</i>				
Primary revenues	\$219,400	\$81,220	\$467,050	\$767,670
Secondary revenues from employment	\$132,600	\$1,209,200	\$212,200	\$1,554,000
Total	\$352,000	\$1,290,420	\$679,250	\$2,321,670
<i>Yavapai County</i>				
Primary revenues	\$38,370	\$11,820	\$81,890	\$132,080
Secondary revenues from employment	\$54,700	\$673,200	\$118,300	\$846,200
Total	\$93,070	\$685,020	\$200,190	\$978,280
<i>City of Prescott</i>				
Primary revenues	\$140,700	\$95,740	\$164,100	\$400,540
Secondary revenues from employment	\$16,400	\$181,500	\$30,000	\$227,900
Total	\$157,100	\$277,240	\$194,100	\$628,440
<i>Surrounding Local Governments</i>				
Primary revenues	N/A	N/A	\$262,800	\$262,800
Secondary revenues from employment	\$13,400	\$148,130	\$24,300	\$185,830
Total	\$13,400	\$148,130	\$287,100	\$448,630
<small>NOTE: All figures are intended only as a general guideline as to how the jurisdictions could be impacted. Surrounding local governments include estimates for Prescott Valley, Chino Valley and Dewey-Humboldt. Figures exclude aircraft license taxes, flight property taxes, and aviation fuel taxes. Figures do not include any potential exemptions from prime contracting TPT. Sources: Elliott D. Pollack & Company; Prescott Municipal Airport; ATRA; Implan</small>				

