
**INFORMAL STAFF REPORT
TO MAYOR AND CITY COUNCIL**

SUBJECT:

Overview of Airport budget

BACKGROUND:

During the Airport budget presentation on June 27, the City Council requested information on a number of items relating to the Airport budget. This report provides information on Airport revenues and expenses, property tax revenues, use of gas well funds for capital projects, a hangar pro forma, and US Aviation's revenues.

DISCUSSION:

Airport 10 year pro forma:

Two (2) Airport pro formas have been provided in your backup. Airport's financial outlook with the current practice of having the general fund pay the Airport's debt service (Attachment 1). The Airport debt service began being paid from the debt portion tax rate in fiscal year 2016-17 as a way to help the Airport become financially self-sufficient. In this scenario the Airport has average net revenues of \$308,635 over the next ten (10) years.

Attachment 2 is the ten (10) year Airport outlook with the inclusion of debt service. This demonstrates the Airport averaging a \$326,998 annual operating loss and the fund balance would be expended by fiscal year 2025-26.

The use of gas well revenues for capital:

The City began receiving royalties from gas wells at the Denton Airport in 2004. A separate gas well fund was created in 2005 with the purpose of supporting capital projects at the Airport. Since 2004, the gas wells generated \$16.8 million in revenues with expenditures of \$12.9 million through fiscal year 2015-16. As shown in attachment 3.

Pro forma on hangar:

The attached hangar pro forma (Attachment 4) shows a total net revenue after 30 years of \$2.4 million with debt service included. The debt service is currently being funded by the general fund, so the Airport fund will receive \$4.9 million in revenue from the hangars over the 30 year expected life.

Property taxes generated on Airport property:

The property taxes generated from the Airport are \$293,960 for this year. This information was provided to the City by the Denton Central Appraisal District. The total property value has been applied to the proposed tax rate.

Real Property	\$	21,267,232
Aircraft	\$	14,744,769
Business Personal Property	\$	10,073,674
Total	\$	46,085,675

Tax Rate		0.637856
Total Airport Ad Valorem	\$	293,960

US Aviation Group revenues:

The US Aviation Group (USAG) is a fixed based operator (FBO) at the Airport. Denton Enterprise Airport receives revenues from fixed based operators through land leases, hangar rental and aircraft tie down fees, and fuel commissions. In fiscal year 2015-16, the Airport received \$192,674 in revenue through USAG.

US Aviation Group Revenue		
Category		FY1516
Land Lease	\$	101,017
Hangar/Tiedown Fee	\$	11,678
Fuel Commision	\$	79,979
Total	\$	192,674

Financial Solvency

The Airport is exploring additional methods of cost recovery such as a Solid Waste fee for certain leaseholds and an adjustment to the calculation of FBO fuel commission fees. A primary initiative of new Airport administration is the review of airport ground leases, revenue streams, and cost centers. Preliminary indications are that additional revenue from existing leaseholds will be available. There may also be an opportunity to revise the calculations for fuel commissions which would increase revenues by \$40,000 annually. This will improve stability in the revenue stream while also helping USAG reduce variation in planned expenses for fuel commissions. This would be achieved by reformatting the current formula based on percent of wholesale cost of fuel to a specific fee such as \$.15 per gallon. This change has been included in the revenue calculations for the Airport pro formas (Attachment 1 and 2).

ATTACHMENT(S):

1. Ten Year Pro Forma with Debt Service
2. Ten Year Pro Forma without Debt Service
3. Gas Well Fund Schedule of Revenues and Expenses
4. Hangar Pro Forma

STAFF CONTACT:

Mark Nelson

Director of Transportation

Mark.Nelson@cityofdenton.com

940-349-7702