

Airport Action/Business Development Plan Section Four

Financial Analysis



Financial Analysis

4.0 Overview

The 2011 State of Texas Airport System Economic Impact Study calculated that H.H. Coffield Regional Airport has annual local economic impact of \$187,293. This value places the Airport in a competitive position with its four closest competing airports as noted in **Table 4-1**.

TABLE 4-1 REGIONAL ECONOMIC AIRPORT IMPACT			
Airport	Jobs Supported	Salary, Wages & Benefits	Economic Impact
H.H. Coffield Regional Airport	2	\$82,958	\$187,293
Caldwell Municipal Airport*	1	N/A	\$51,748
Cameron Municipal Airpark	2	\$236,000	\$123,441
Hearne Municipal Airport*	.5	N/A	\$12,937
Taylor Municipal Airport*	N/A	N/A	N/A
Bryan – Coulter Field	49	\$2,242,120	\$7,813,759
Georgetown Municipal Airport	227	\$9,872,319	\$23,738,564
Austin Executive Airport (Private)	N/A	N/A	N/A
*Information Estimated from TXDOT Aviation.			
Total Impacts	281.5	\$12,433,397	\$31,927,742

It should be noted that FAA and TXDOT Aviation regulations require that all revenue generated on the Airport shall be retained in the airport’s budget for future use in sustaining the Airport.

As the City of Rockdale is the prime operator of the Airport, its ability to generate revenue to pay for operations, maintenance and enhancements are derived from these primary revenue streams:

- Fuel Sales;
- Hangar Space Rental;
- Ground Lease; and
- Misc. Revenue at the Airport.

Additionally, funds from the City’s budget Capital Improvement Budget are used to supplement these earnings to fund the airport projects when appropriate.

4.1 Fuel Sales

Presently, the Airport offers 100LL aviation fuel to local and itinerant aircraft owners. However, the fuel serve is not a self-service facility with electronic card. The purchaser of fuel at the Airport must call a local number then wait for an individual to unlock the pump, fuel the aircraft and collect the transaction amount to complete the sale.

The majority of pilots do not have the patience or time to wait for fuel service so they typically fly to an airport that either has self-service with a card reader or an FBO that is available to provide the service.

Caldwell, Cameron, Hearne and Taylor airports all offer self-service fuel stations.

H.H. Coffield Regional Airport's current fuel station needs to be replacement promptly. It is an older model and the exterior appearance shows rust and an aged appearance.

TXDOT Aviation offers a fuel grant program and the City should make a grant request to acquire funds to replace this system with a new 6,000 or 8,000 gallon tank with electronic card reader to encourage 24/7 self-serve fueling with local and transient pilots. An 8,000 gallon tank may be the upper limit of reasonable sales capacity for the Airport but it will also help the City get the lowest per gallon supplier rate in the Austin area. With the larger tank, quality assurance practices become a higher priority to avoid stagnating fuel supplies which can lead to engine malfunctions and liability issues.

Competitive pricing and self-service availability coupled with aggressive promotion will result in a significant boost in fuel sales and flight operations at the airport. Depending on the size of tank, the pricing differential between full tanker load and a quarter of a load can be \$0.45 cents per gallon in today's wildly fluctuating aviation fuel market.

With a current listed Airport price of \$5.13 per gallon, the City can expand its profit margin and generate greater volume sales with a larger system.



The present fuel system is approximately 6,000 gallons and is not self-service.

4.2 Hangar Rental

The Airport currently has three hangar buildings on the airport. One is owned by the City of Rockdale and the other two are privately owned.

In the public hangar are six based aircraft. The other two hangars hold a single aircraft in each. The City charges \$100 per month for hangar storage on a month-to-month commitment with no lease.

Across the country, many airports have moved to standardized long-term leases in return for stable rental fees to the lessee. The City of Rockdale apparently does not offer longer term hangar leases.

A quick survey with the surrounding airports in the marketing provided this information in **Table 4-2**.

**TABLE 4-2
HANGAR RENTAL COMPARISON**

Airport	Number of T-Hangars	Lease Terms	Monthly Rates
H.H. Coffield Regional Airport¹	0	Month-to-Month	\$100
Caldwell Municipal Airport	14	Month-to-Month	\$125
Cameron Municipal Airpark ²	10	?	?
Hearne Municipal Airport	14	Month-to-Month	\$125
Taylor Municipal Airport	56	Month-to-Month	\$125-\$356
¹ City-owned Community Hangar			
² New Hangars to open in 2013			

The H.H. Coffield Regional Airport would benefit from the installation of a 6 or 10-unit T-Hangar complex. The City’s present community hangar is very old and should be considered for either major renovation or replacement.

A grant request can be submitted to TXDOT for T-Hangars under their airport grants program. The additional storage capacity will aid in the recruitment of based aircraft and generate fuel sales. Another benefit of the based aircraft is property tax collected on the value of the aircraft.

The Airport Development Plan / Airport Layout Drawing denote locations on the airport for the installation of new hangar facilities. The City could perform the necessary ground clearing and basic site preparation to be in a position to accept a TXDOT grant during the next grant cycle.

4.3 Ground Leases

The foundation piece of the revenue equation at airports is the collecting of ground leases from individuals or companies when they invest in the airport to build hangars or office complexes. Federal and state regulations prohibit the outright sale of airport property if it was purchased with federal or state grant funds.

In 1987, the estate of the late H.H. Coffield transferred ownership of the Airport to the City of Rockdale with the express provision that the property be retained and used as an airport for the community. This deeded gift exempts the city from federal and state regulations but it is advisable to follow that practice.

The art of establishing ‘fair market value’ for airport property is an inexact science. Sometimes the airport sponsor will commission a dedicated land appraisal to formulate a market rate upon which they

can lease the property, or the sponsor will just negotiate to what the market will bear.

A key component of the value is whether the airport property is deemed 'improved' or 'unimproved' – thus indicating whether local utilities and infrastructure are in place to allow the lease holder to focus on just the construction of the building.

In our survey of competing area airports, Caldwell, Hearne and Taylor airports all have 'improved' property to accommodate a prospective private tenant. Cameron did not have 'improved' airport property. The H.H. Coffield Regional Airport has infrastructure but would require additional investment to properly accommodate new building activity.

Only Caldwell and Hearne Municipal Airports have established a ground lease rate and term. Hearne collects \$0.27 cents per square foot for land on a 25-year lease. Caldwell collects a flat \$200 annual fee with no lease agreement. The other airports indicated that rates and terms are negotiated on an individual basis.

The H.H. Coffield Regional Airport generates \$400 a month in lease revenue from the two hangars on the property with lease terms unknown.

4.4 Airport Balance Sheet

The H.H. Coffield Regional Airport has turned a modest profit over the past three City budget cycles, as detailed from the City's published budget report.

4.1 Balance Sheet Observations

Hangar Rental – A robust revenue number considering the Airport only has eight officially based aircraft according to the FAA's 5010 Master Record. The amount recorded in the budget is more indicative of 13 aircraft renting from the City, or the rental rate varies among aircraft owners.

Lease Revenue – Again another robust number considering the small number of private buildings on the Airport property. This revenue total would indicate an above average per square foot term rate or special considerations for the tenant on terms.

Fuel Sales – A very strong number again considering the low number of annual operations listed with on the 5010 record. Also, the Airport is an uncontrolled airfield so actual operational counts are impossible to calculate. The implementation of a new fuel system with electronic card will open the Airport to new patrons as pilots constantly search for the best fuel price in the wildly changing commodity market.

Conversely, the fuel product costs exceed revenue with is a possible indicator of two issues: 1) insufficient sales to turn over inventory purchased at higher per gallon cost against prevailing retail prices. If the inventory remains in the tank longer than 150 days, product deterioration may occur which can create a liability issue for the airport sponsor with tainted aviation fuel; 2) insufficient monitoring of competing airports' fuel pricing to remain competitive and leverage profitably against cost of product.

Maintenance and Operating Expenses – At first blush, it appears the H.H. Coffield Regional Airport is a low-maintenance facility based on the published budget numbers. Expenses are extremely low which could be interpreted either as very little maintenance is required or the City is not spending much

money to do maintenance. The 5010 record lists the Low Intensity Runway Lighting system as out indefinitely. Earlier conversations with airport patrons indicated this is a frequent repair issue and eliminates night flight operations.

During one airport visit while preparing the Airport Development Plan, it appeared the Airport property had not been mowed and trimmed for an extended period. Grass and weeds covered the runway lights and provided wildlife habitat very close to the runway. Implementing a mowing schedule will eliminate some of those issues as well as creating a more inviting appearance to first airport visitors.

Table 4-3 highlights the airport’s balance sheet as published in the City’s annual budget.

TABLE 4-3 AIRPORT BALANCE SHEET FOR THE H.H. COFFIELD REGIONAL AIRPORT				
	2009-10 Actual	2010-11 Budget	2010-11 Amended	2011-12 Proposed
Airport Revenue	\$25,754.93	\$22,583.33	\$27,226.27	\$26,278.00
Donations/Grants	\$	\$	\$	\$
Hangar Rental	\$11,851.47	\$16,000.00	\$16,000.00	\$16,000.00
Aviation Fuel Sales	\$4,174.64	\$1,783.33	\$6,495.83	\$5,478.00
Lease	\$8,400.00	\$4,800.00	\$	\$4,800.00
Misc. Revenue	\$1,328.82	\$	\$4,730.44	\$
Airport Expenses	\$8,264.21	\$12,475.71	\$16,375.66	\$18,100.00
Operating Supplies	\$48.69	\$100.00	\$50.00	\$100.00
General Maintenance	\$41.68	\$2,000.00	\$2,000.00	\$2,000.00
TML Insurance	\$2,195.23	\$1,95.71	\$5,757.53	\$5,800.00
Treatment Chemicals	\$200.00	\$200.00	\$200.00	\$200.00
Professional Fees	\$	\$300.00	\$50.00	\$
Aviation Fuel Costs	\$4,094.48	\$5,500.00	\$5,918.13	\$7,500.00
Capital Improvements	\$	\$	\$	\$
Grant/Local Effort	\$	\$	\$	\$
Profit (Loss)	\$17,490.72	\$10,107.62	\$10,850.61	\$8,178.00

4.5 Summary

The balance sheet was a pleasant surprise to review during the creation of the business plan. Not too many airports nationwide can boast of turning a consistent profit at their facility.

A positive fiscal balance sheet is an indicator that strong financial stewardship of the Airport is in place, and the opportunity to enhance the bottom line is eminent.

As discussed earlier in this Chapter, generating revenue from hangar rental, fuel sales and ground leases are the three lowest hanging fruit financial elements an airport can capitalize upon. H.H. Coffield Regional Airport and the City of Rockdale have these elements in place.

The next steps for the City and Airport are to better monitor fuel sales for a positive cash flow while being more aggressive in soliciting business from itinerant pilots in the region and flying cross-county. Websites like AirNav, FBOWeb, globalair.com, 100LL.com and other allow airport management to publish current fuel prices as well as monitor their area competitors.

Investment in more hangar space for singles and twins will reap multiple benefits as noted earlier. If the City is able to secure grant funding from TXDOT to construct new hangar space, the lower acquisition cost for City to build these hangars will immediately return increased revenue to the balance sheet.

The next phase of development will follow soon when the Marketing Team begins its campaign to recruit new based pilots and aviation-related businesses.

All of the elements are aligning for the H.H. Coffield Regional Airport to become a regional leader in the Texas aviation market.

And, a friendly reminder that all revenue and profit generated at the airport needs to remain in the Airport budget to support operations and growth at the H.H. Coffield Regional Airport.