

AIRPORT COMMISSION MEETING
Monday, April 8, 2019 at 4:30 pm
Murfreesboro Municipal Airport
Terminal /Administration Bldg.
1930 Memorial Blvd. Murfreesboro, TN 37129

MEETING MINUTES

IN ATTENDANCE:

COMMISSION MEMBERS:

Steve Waldron, Chair	George Huddleston, Jr., Vice Chair	Clay Cook
John Polk	Gail Zlotky	Bill Shacklett, City Council Member
Butch Jones	Darren Gore, Assistant City Manager- Ex-Officio	

GUESTS:

Jim Gardner, Murfreesboro Aviation
Blake Tumbleson, Murfreesboro Aviation
Jerry Swick, Airport Customer
Mike DeWeese, Airport Customer
Bob Kinney, Airport Customer
Mark Baker, Based Customer
Larry Williams
Shelby Hunton, Airport Customer
Valeska Starns, Airport Customer
Chris Hardy, Airport Customer
Mike Jones, Mike Jones Aircraft Sales

STAFF:

David Ives, Assistant City Attorney
Greg McKnight, Economic Development Projects Manager
Chad Gehrke, Airport Manager
Jennifer Hodgdon, Airport Admin Assistant

Prayer and Pledge of Allegiance lead by Commission Member John Polk.

1. Call the meeting to order:

Steve Waldron called meeting to order.

2. Consider approval of the March 2019 Airport Commission Meeting minutes:

John Polk moved to approve the March Airport Commission meeting minutes. Gail Zlotky seconded the motion. All members voted in favor.

3. Continue discussion regarding proposed rental rates and other fees:

Chad Gehrke presented a memorandum prepared by Darren Gore and spreadsheets addressing the various rents that are charged at the Murfreesboro Airport comparing them to rents at various airports in the region. Mr. Gehrke reminded the Airport Commission that at their last meeting the Airport Commission approved the budget but wanted further study of the revenues specifically the rent. Mr. Gehrke stated that a concern of the Airport Commission was the current construction costs as the Airport Commission plans the development of the north end of the airport building various sized hangars. He stated that the concern is that the

new rent required to retire the debt on the cost to construct those hangars will be much higher than current hangar rents.

Mr. Gehrke stated that there was currently changes occurring at City Hall as well. The City has developed a new grouping of departments in which the Airport is part of the Utility Enterprises. The long-term goal is for the Airport to be even less dependent on City funds. Mr. Gehrke stated that Mr. Darren Gore was the Assistant City Manager overseeing the various departments within the Utility Enterprises. He stated that this new direction is another reason why the Airport, along with other departments are reviewing their various expenditures as well as their revenues given the status of the overall City Budget.

Mr. Gehrke stated that the other issue that impacts the Airport budget is the Tennessee Aeronautics Division and the legislative action that occurred in 2015 which dramatically changed the funding of the airports in Tennessee. The Tennessee Aeronautics Division is still attempting to find their way through the changes as well. The funding that was once there to help fund certain portions of T-hangar projects will just not be available now or in the future. The Murfreesboro Airport will have to fund 100% of any future hangar projects. This is a huge change to the financing of future hangar projects impacting debt retirement and expected hangar rents.

Mr. Gehrke stated that there are 30 plus people on the T-hangar Waiting List who have put down a deposit. He stated that to meet this demand and given these various issues the Airport Commission must decide what is the most financially responsible way to move forward in the future to be able to possibly fund projects such as building T-hangars through its own funds. Mr. Gehrke stated that Mr. Darren Gore completed an independent study of the Airport budget over the last three years. Excluding large capital improvements and the associated funding that occasionally occurs at the Airport Mr. Gore's study showed the Airport revenues and expenditures growing at almost exactly the same rate. A very balanced budget. Mr. Gehrke pointed out that Mr. Gore's analysis points out one funding issue that is critical to the budget discussion. Mr. Gehrke stated that back in 2005-2006 the Airport Commission was planning to undertake its largest T-hangar construction project. Part of that preparation and planning was to put together a financial proforma which showed how many years it would take to retire the debt based on a proposed rent schedule. The proforma included a schedule that had rents adjusted by 3% each year to retire the debt service within 20 years. Based on Mr. Gores study it shows that the Airport was able to keep the debt service payments going as scheduled for the first few years steadily increasing the amount of the debt service payments to over \$300,000 per year. He stated then after that the Airport limited their annual payments to \$150,000 to be able to maintain a balanced Airport Budget. The study shows that by continuing that same level of annual debt service payments the retirement of the debt will occur approximately at year 25 instead of 20. This proves that the realistic expectation of the Airports ability to retire debt is not 15 to 20 years but 25 plus years. The financial policies of the Airport Commission to continually adjust the rents 3% each year has proven to be very successful but there are now some new issues that dramatically impact these policies and financial models.

Mr. Gehrke provided a study that has been completed for several years now that looks at how the rents at the Murfreesboro Airport compare to its neighboring airports. Mr. Gehrke stated that "what is market" is not an easy question to answer. Is "market" just comparing your prices to those around you? Is "market" the rent it takes to retire the debt service in a certain number

of years? Mr. Gehrke stated that there is no clear definition of what is “market.” Perhaps “market” is a bit of each of these indicators.

Mr. Gehrke asked that the Airport Commission look at the spreadsheet comparing the various hangar rents at various surrounding airports. Not all airports are the same though or the communities they serve. Mr. Gehrke stated that historically the Airport has analyzed airport hangar rents categorizing the surrounding airports in three categories. Metro Nashville area airports, surrounding area airports, and rural area airports. Mr. Gehrke stated that through the years the study of those rents show that the metro Nashville area airports’ rents are the highest rents. The airports in the more rural areas have the lowest hangar rents and the airports surrounding the metro Nashville area hangar rents have their rates in the middle. Mr. Gehrke stated that consistently the Murfreesboro Airport fall in the middle of the range in this comparison.

Mr. Gehrke stated that he has talked with several of the Airport Managers representing these various airports. Mr. Gehrke stated that airports most similar to Murfreesboro in are Smyrna, John C. Tune, and Lebanon. There are noticeable differences in clientele and facilities at these airports but they share similarities in economic market area and number of operations. Mr. Gehrke stated that John C. Tune has not adjusted their hangar rents since 2012. He stated that they will be adjusting their rents in the near future. Mr. Gehrke stated that Lebanon is expecting to consider an adjustment of \$25 across the board. Mr. Gehrke stated that he does not know of many airports that maintain a consistent annual rental rate adjustment to keep up with the cost of living and raising expenses as Murfreesboro does. At the same time in talking with these various Airport Managers he said he did not hear of any incentive or promotional programs associated with hangar rents like what Murfreesboro has offered. He said most of them offer some sort of based customer fuel price program as Murfreesboro does.

Mr. Gehrke asked the Airport Commission to look at the next spreadsheet that compares the various hangar rents and the square footage of each unit. He explained that the spreadsheet also compares the rents if adjusted by 3% or 5% as it was proposed in the budget. In comparing the rents to John C. Tune the spreadsheet shows what it would take to bring the rents up to that level increasing the rents 8% to 10% over the next three years. After that rents would be adjusted at a rate of 3%. Mr. Gehrke stated that this spreadsheet is designed to help the Airport Commission in their need to decide what is “market” for Murfreesboro and what it would take to adjust to “market” setting the rental rates for FY20.

Mr. Gehrke stated that there is more than just the rent that impacts the customers at the Murfreesboro Airport. Mr. Gehrke stated that for example the Airport Commission has offered for the last several years a promotional program allowing a customer to pay eleven month’s rent upfront and get one month free. Mr. Gehrke stated that the Airport has not charged any credit card processing fees to customers who pay their hangar rent with their credit cards. He stated that processing fees are somewhere around 3%. Mr. Gehrke stated that around \$11,000 to \$13,000 is paid out to cover credit card processing fees each year. Mr. Gehrke stated that the Airport has also promoted base customer fuel prices when the customer pays with cash or with a Shell card. Mr. Gehrke stated that even that has been difficult as there have been many changes to the various Shell credit cards that has made it difficult for some customers to be approved for these cards or the Airport to provide the discounts as advertised.

The Airport Commission discussed the various spreadsheets. They discussed various differences in hangars, clientele, and facilities at the different airports included in these studies.

Steve Waldron pointed out that with the current 11-month hangar rent promotion that a hangar that rents for a \$331 a month hangar lowers that hangar rent to \$303 which pulls that rent even further away from the hangar rents offered at John C. Tune. The Airport Commission discussed the various hangar rents compared to the estimated cost of the construction of future hangars to determine the number of years it would take to retire the debt. Given some of these proposed rates the spreadsheets still showed a period of over 25 years to retire the debt. Mr. Gehrke confirmed that there was still approximately \$2 million in current debt from the 2007 T-hangar Project. Mr. George Huddleston stated his concern of the amount of existing debt and taking on new additional debt. He stated that he was concerned about the great void between what the hangar rent that will be on the north end of the airport compared to the rent of the hangars on the south end for similar square footage, hangar doors, etc.

Mr. John Polk asked what the plan was for building facilities on the north end. Mr. Gehrke stated that the plan was to begin construction on at least one building with 8 to 10 units in two years. He stated that the future City CIP includes funds for this project. Mr. Gehrke stated that the final design for that area will begin this year using some of the Airport's NPE funds. That planning will help determine the cost of the hangar and other site improvement costs. Mr. Gehrke stated that all of the utilities were in place. Mr. Gehrke reminded the Airport Commission that with the large hangar that is being built this coming year south of the Terminal, that Mike Jones Aircraft Sales will be leasing, will open up several T-hangars that will help address the T-hangar Waiting List as well. Mr. Polk asked if debt service will change to 30 years. Mr. Gehrke stated yes and that currently some departments request a 25 or 30 year bond. He stated that then the Airport would have to create a payment plan that would dedicate that revenue directly to that debt service program like an enterprise fund.

Mr. Huddleston stated that he believes the Airport has got to get going on the design and building of these hangars now. Darren Gore stated that even when the Airport paid its highest amount toward debt service it was still behind the actual payment for that year. He stated that the City appears to look at it as though they will work with the Airport to maintain a working airport while they pay debt service at levels that the Airport can afford. Mr. Gore stated that according to State accounting rules the City can not continue to take payments from the Airport after the City has paid off the debt. He stated that according to the City Finance Director that in that case for future airport projects a longer-term bond issue is what will need to be considered to satisfy State regulations. Mr. Gehrke stated the Airport is considered a special revenue fund which allows the City to handle the airport, projects, and debt service a bit different than other traditional departments. Mr. Darren Gore stated that he would recommend keeping the 3% at this time and what makes the most impact is going after and getting as much grant money as you can to assist in reducing the cost of these projects. To do that we have to free up the Airport Manager to go after and manage the grants for these various projects. Mr. Gore stated that he does not feel that the Airport will ever be a pure enterprise fund. It may always require some level of subsidization from the City. He stated that is why at this time he is recommending with all of the changes going on not to make a drastic change at this time and to continue to move forward as the Airport has been doing consistently over the last several years. Mr. Gehrke stated to help this effort the Airport has a contract with the MTSU Economic Finance Department to update the Airport Economic Impact Study to try to determine and document what impact the Airport has on the local economy to better justify the subsidy. The Airport is an economic asset and all of the companies on the Airport have increased their staff hiring a number of highly trained people since the last study was completed.

Mr. Waldron summed up the discussion and the recommendation to keep the 3% increase and drop the promotional hangar rent program for this FY20. He stated that this discussion today is really for future budgets and how the Airport finances these various improvements, projects, etc. He asked for a motion.

Mr. Huddleston recommended have a pay 11 months and get a half of months rent free. Mr. Gehrke stated that around 50 customers took advantage of the promotional program last year. Mr. Huddleston was concerned that the Airport needs to get new hangars built as soon as possible. Mr. Clay Cook was concerned about using John C. Tune as the "market" rate. Gail Zlotky asked shouldn't other factors be considered than just the hangar rental rates, such as what types of aircraft are based there, cost of living comparison, etc. Mr. Cook stated that how we build the hangars is another discussion. Does the Airport/City build them or do we look at alternative methods was what he stated the Airport Commission will need to discuss in the near future.

4. Consider approval of proposed rental rates and other fees:

John Polk moved to drop the 11-month T-hangar rent promotion and go with the proposed 3% rental rate adjustment. Clay Cook seconded the motion. John Polk, Clay Cook, Steve Waldron, Bill Shacklett, and Butch Jones voted for and George Huddleston and Gail Zlotky voted against. The motion passed.

Steve Waldron opened up the floor to T-hangar customers to comment about the discussion of future rents.

Mark Baker supplied a list of hangars from various airports in Tennessee and surrounding states. He questioned the "market" pricing. He stated that perhaps when the economy drops perhaps the hangar rental rates should be lowered at a similar rate. He did not agree with comparing Murfreesboro with John C. Tune with all of the ILS, 24 hour services, better Terminal etc. He stated that John C. Tune Airport has a completely different clientele. He stated that other airports are building hangars and their rates are lower so how do they make the finances work.

Shelby Hunton stated that he believes that the Lebanon and Sumner County airports would be more comparable to Murfreesboro than John C. Tune. He agreed with others that John C. Tune was not a fair comparison.

Jim Gardner stated that in his research of market value in comparing airports to establish market values it does not matter what the hangar door size is or how it opens. The factors to determine "market" are the size of the metropolitan area, fixed based operations, number of aircraft operations, number of based airplanes, and a few other factors that he listed. He did not agree with comparing Murfreesboro Airport to any other airport if it is not run directly by the City. He stated that all of the airports in the study are run by an independent FBO. Mr. Gardner compared various differences between John C. Tune and Murfreesboro. He stated that the problem is poor management. He stated that the Airport has made mistakes in the past and now they want all of the customers to pay for it. Mr. Huddleston asked to name the mistakes. Mr. Gardner said that he didn't know all of them. He stated that if the Airport Commission wants to hire an Assistant Airport Manager and add to the debt there is no reason for that.

Darren Gore stated that he was concerned that no one would agree to what is “market” today or what is the ideal place to be with the rents given these various factors. He said he thought it would be best to go as is now and then spend some time in the coming months to study all of this information discussed today and work through it to find what is the most feasible plan to be able to move forward with building additional hangars. He said let’s figure out what matrix work best for this Airport and these various factors discussed today. He said when you look at the Airport budget it is a lean budget. The Grant money funding change is a real cause for stress. He said he did not see any inefficiencies but would like to know if there were any so they can be addressed. He said this discussion is good and we need to work through this. He said the key in his review is to go after the Grant money to assist in paying for these projects to do the best we can to keep the rent down as much as possible. That takes time and a lot of work to pull that off and that is why we need to free up Chad to go after those funds.

Tim Quigley stated his concern that by dropping the promotional program offering the free months hangar rent on top of the three percent hangar rent increase is a dramatic change for airport customers cutting into their ability to pay for their flying. He stated that it also adds additional work on Airport staff to have to go after that rent each month that was collected once up front at the beginning of the year.

George Huddleston stated that he feels like he made a mistake. He stated what he believes needs to happen is to ignore what is considered “market” and just build the new hangars and see what the disparity is. He said because the hangar rents that they were handed today will not support new hangar construction. He stated he did not care how the hangars are built if it is the City or someone leasing the land and then building hangars. He stated as long as the hangar is not a wooden framed hangar, he is for the most efficient means possible is what we need to do. We created a bee hive and it doesn’t need to be that.

Mr. Waldron asked if anyone knew of an airport that has hangars available. No one knew of an airport with available hangar space. Mr. Waldron stated that is what he had heard when talking with the State as well. Mr. Waldron agreed that the economy could change tomorrow and that this is a very cyclical thing and right now the demand for hangars is high.

Comments from the audience continued regarding government inefficiencies, the new Terminal, and concerns about MTSU leasing space in the Terminal.

5. Airport Manager’s report regarding the Terminal Project:

Mr. Gehrke and Mr. Gary Whitaker reviewed the status of the contract and hope to have it finally signed in the next week. Mr. Gehrke stated they were waiting on Comcast to get the trailers connected.

6. Airport Manager’s report regarding the Taxiway F Development Area:

Mr. Gehrke reported that they are working on a Grant request to assist in covering the cost of ATKINS completing the final design of the area. This would include the taxiway connector between Taxiway F and Taxiway E including the design for Taxiway E to assist in the circulation of traffic in and out of that area. This will also address the design for the pads for the T-hangars and Box Hangars that will be built in that area. He stated that this will use NPE funds.

Mr. Gehrke stated that he was working to get a crack and pavement repair project for this summer using additional NPE funding.

7. Airport Manager's report regarding other projects:

No other reports were provided.

8. Consider any other business to come before the Airport Commission:

Mr. Waldron asked to go back to the issue regarding our policy on credit card processing fees. Mr. Gehrke stated that for the information of the Airport Commission the Tax Department does charge a 3% processing fee on top of the amount they pay for their taxes if they pay with a credit card. Other Departments such as Golf and Parks and Recreation do not charge any additional fees and those processing fees come out of their budget. In our fuel sales credit cards fees are already figured in the price of the fuel.

Mr. Waldron asked for a motion for handling credit card fees. Mr. Huddleston asked about the Airport setting up an Electronic Funds Transfer. Mr. Gore thought an ACH would most likely work. David Ives stated that there may have been a special approval from City Council for the Water Resources Department to set that up. Mr. Huddleston thought that would be a great solution.

Mr. Huddleston moved to go to the City standard credit card fee policy for any rents beyond June of 2019. Gail Zlotky second the motion. All voted in favor.

9. Consider next date for Airport Commission meeting:

The Airport Commission agreed to meet May 6, 2019 at 4:30 pm at the TDK Hangar if the Terminal is under construction.

10. Adjournment:

Gail Zlotky moved to adjourn. George Huddleston seconded the motion, all voted in favor, and they adjourned.