

Norwood Memorial Airport Revenue and Expense Trends

FY19 Update

In 2017, a report on Airport finances and financial trends was produced. This report is available for review on the Town website using the following link:

http://www.norwoodma.gov/document_center/Financial%20Commission/Financial%20Reports/Review%20of%20Airport%20Finances.pdf

That report provided insights into the Airport's five-year history of revenues, expenses and net earnings as well as a series of recommendations intended to identify opportunities to further enhance Airport net earnings. The report covered the period of FY13 through FY17.

The Finance Commission agreed to use the same methodology used for the FY13 to FY18 review to update the report at the close of FY18. That report was produced in October 2018.

Following the same approach, a review of FY19 revenues, expenses and trends is now being presented in this report.

Financial data on airport revenues and expenses was provided by Tom McQuaid, Director of Finance and Accounting. Using the same approaches as prior fiscal years, three variations of analyses were used to update the report:

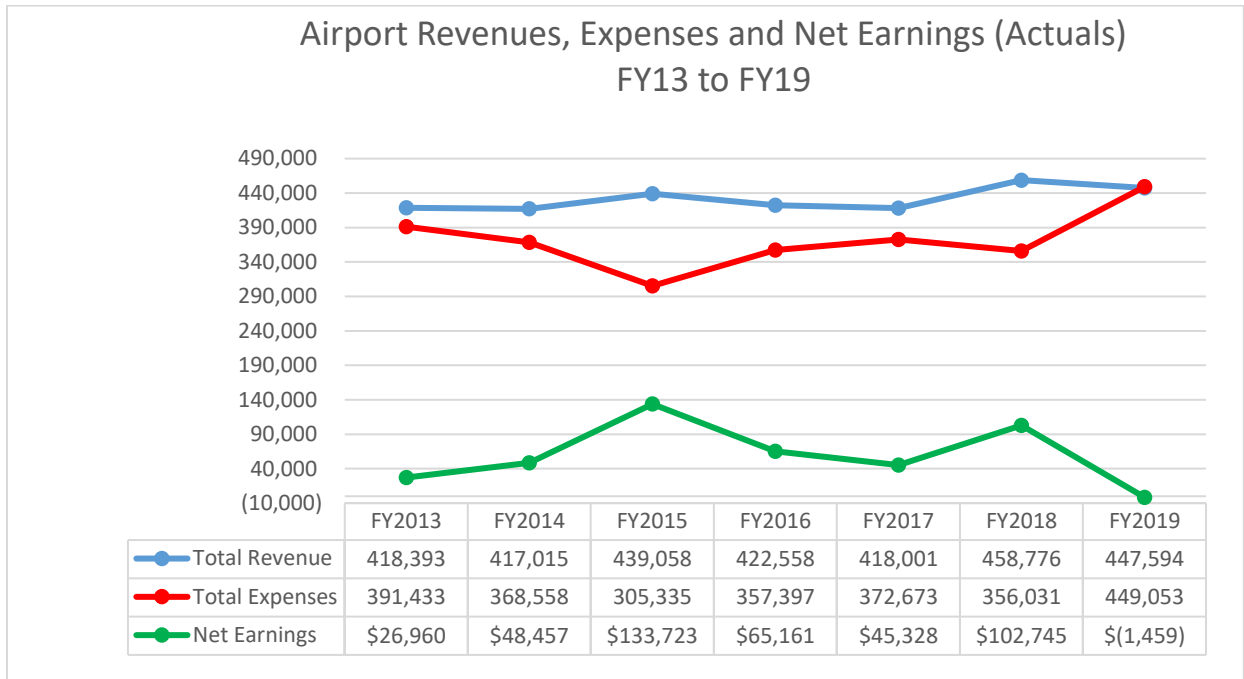
- A. Summary of actual revenues, expenses and net earnings based on the Town's standard accounting methods;
- B. Same summary as described in Section A with the exclusion of revenues and expenses that are not considered to be directly under the control of the Airport Commission. These are:
 - a. Costs associated with snow and ice removal;
 - b. FEMA reimbursements;
 - c. Town's share of federal and state grants for airport infrastructure improvement.
- C. Same summary as described in Section A with the addition of a cost factor associated with expenses that are assumed in the overall Town budget but not charged to the Airport Operations budget line.

Attachments to this report include:

- Attachment A:** Actual Airport Revenues, Expenses and Net Earnings FY13 – FY19
- Attachment B:** Revised Airport Revenues, Expenses and Net Earnings FY13 – FY19
- Attachment C:** Airport Revenues, Expenses and Net Earnings FY13 – FY19 (All Dollars Considered)

Section A

The below chart reports the actual review and expense history for the seven-year period of FY13 to FY19.



Revenues

Overall direct revenues in FY19 were up by nearly \$10,000 over FY18 levels.

The largest generators of direct revenues in FY19 at the Airport were short-term leases (\$89,307) and long-term leases (\$111,295) followed by flowage fees (\$35,645).

In August of 2018, the Airport implemented a new landing fee at the suggestion of the Finance Commission. The landing fee accounted for \$23,426 in new revenue for the airport from August, 2018 to March, 2019. An additional \$9,356 in landing fee revenue was collected from April, 2019 to June, 2019 but due to the timing of the fee collection and deposit these were booked to the FY20 accounting line. Based on FY19 experience, it seems this new fee will have the ability to generate over \$30,000 a year in revenue (or approximately 7% of all Airport revenue based on FY19 experience).

Tie-down lease revenues are down from FY18. In FY19, the Airport lost \$12,300 in revenues from tie-downs and as a result of a recent legal settlement. New leases for this space may help to recoup this revenue loss but these leases have not been finalized as of the date of this report.

Indirect revenues in FY19 were down by about \$21,000 from their FY18 level. In FY18, Norwood Airport received \$22,806 in FEMA payments. In FY19, there were no FEMA payments received. The largest generator of indirect revenues were PILOT payments from BMA & Flight Level (\$111,076).

Expenses

As the graph indicates, expenses were up from historical trends in FY19. Total expenses in FY19 were \$449,053. This was an increase of \$93,022 from FY18. The primary driver of this expense increase was money appropriated for the town's share of matching grants. Norwood utilizes federal and state grants for a number of capital improvements to the airport. Norwood's share of contribution for such grants is 5% of total project costs with Mass Department of Transportation (DOT) and/or the Federal Aviation Administration (FAA) contributing the bulk of funding for these projects.

In FY19, Norwood's share of matching grants was \$86,488. Typically, over the course of FY13 to FY18, grant match appropriations range from \$5,000 to \$40,000. The projects included in these grants include a project to straighten a taxiway (projected overall cost of \$2.4 million) and the completion of the Welch Administration Building (which will house snow removal equipment and the Airport Management Office). At the end of construction, costs for the Welch Administration building will be approximately \$1,900,000 of which MassDOT will pay approximately \$1.8 million with Norwood contributing about \$115,000 in total.

Salary and wages represent 43.6% of total expenses (\$195,829). Staffing remains at 2.0 FTEs, the same level as last year and actually the same level for the past 20 years. Airport operations expenses of \$154,820 represent 34.5% of total expenses and are basically level to FY18 operating expenses.

Net Earnings

Primarily due to the capital improvement investments made with the Town's share of matching grants, net earnings were (\$1,459) in FY19. However, when total landing fee revenue is considered, the Airport net earnings would actually be positive for FY19.

The average net earnings over this 7-year period were \$60,000 per year.

Comparison to FY19 Budget

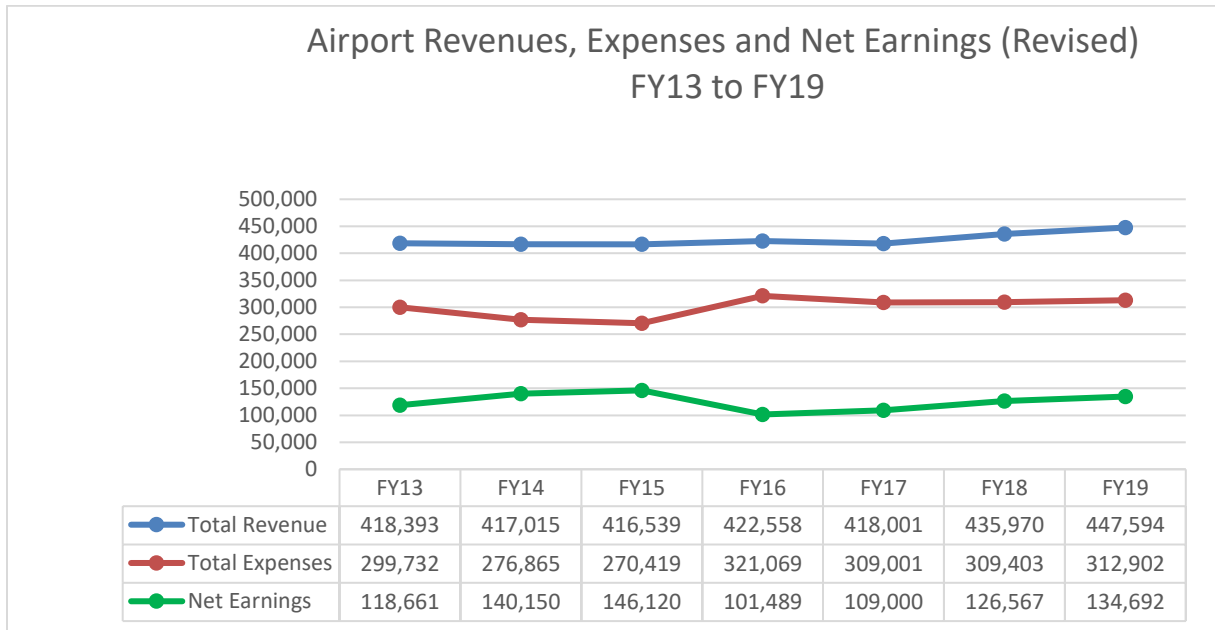
In FY19, the Airport's approved budget totaled \$482,811. Total expenses were \$449,053 or \$33,758 under budget (from the FY20 Budget report to the Annual Town Meeting).

Raw data used for this chart are summarized in Attachment A.

Section B

As was the case in prior years' reports, the purpose of the analysis conducted in Section B is to identify trends in revenues and expenses. Last year's report noted that when the costs for snow and ice removal and the Town's share of grants as well as any FEMA reimbursements are removed from the calculations, we are better able to see how the Airport performs financially using the resources under its control.

The chart below summarizes this analysis for the seven-year period.



Revenues

As the above graph indicates, the Airport's revenue stream has been relatively steady and, over the past 3 fiscal years, growing year-on-year. Even with the removal of FEMA reimbursements received in FY15 and FY18, the revenue trend is positive over this period of time. New revenue from landing fees helped to push FY19 revenues above the FY18 level.

Expenses

The expense trend (minus snow removal and matching grant costs) in this analysis has remained relatively flat over this period especially over the past 3 fiscal years.

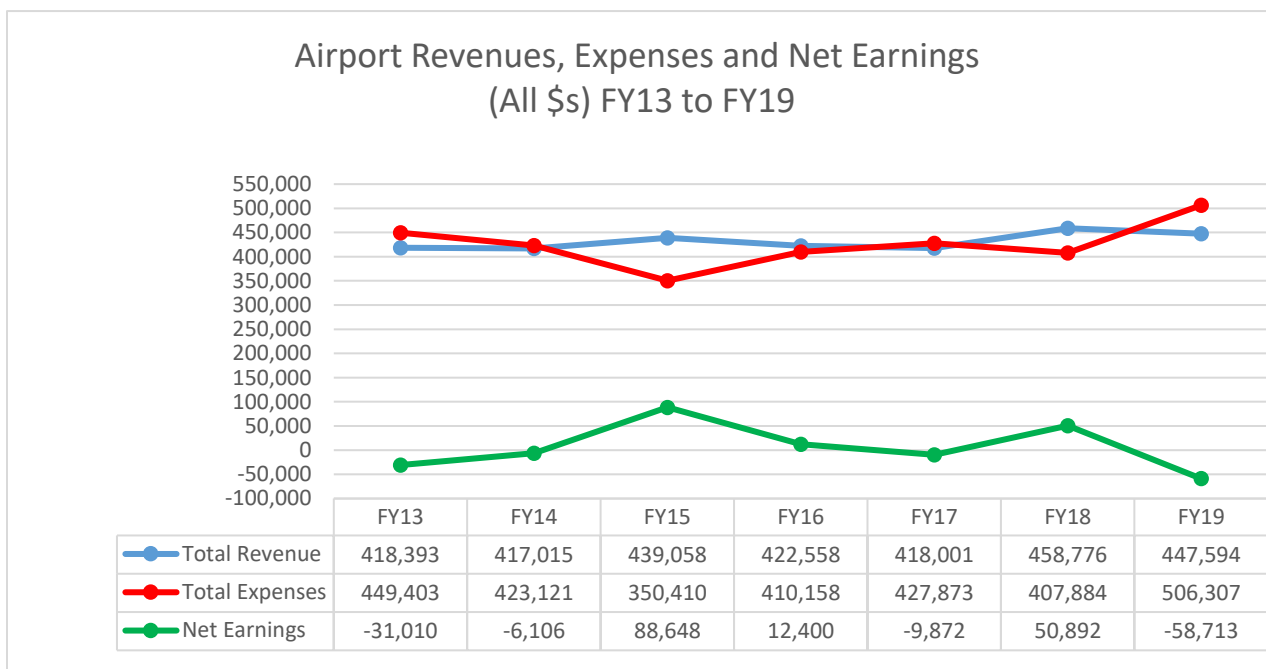
Net Earnings

Under this analysis, the net earnings ranged from \$101,500 to \$146,100 per year. Average net earnings under this analysis were \$125,240 during the 7-year period.

Raw data used for this chart are summarized in Attachment B.

Section C

The below chart displays the revenue, expense and net earnings trends when all costs and revenues are considered. Expenses include snow and ice removal costs as well as the Town’s share of grant expenses. All revenue sources including FEMA reimbursements are considered in the calculations. Additionally, I have factored in an estimate of the costs that the Town contributes to the Airport through its shared cost budget. These include estimated costs for insurance, litigation, employee benefits, the town’s Medicare contribution and general support activities provided by Town Departments (e.g., payroll processing, accounting services, and information technology services). As was the case last year, a standard estimate of approximately 13% of overall total expenses was used to generate an FY18 estimate for these costs.



Revenues

The revenue trend in this analysis remains positive as it is identical to the analyses in Section A and Section B.

Expenses

Costs attributed to the shared budget and support activities are roughly estimated at \$55,200 for FY19. Some of these cost estimates, such as litigation, assume average litigation costs that are more typical to an airport over the long haul. While litigation costs have been higher than average over the last few years, this analysis assumes the level of litigation-related expenses will moderate to an historical average over time.

If Norwood Airport were to become a pure enterprise fund operation (which it is not currently), there are likely other costs that would hit the expense line.

Net Earnings

As expected, when costs that are not directly accounted for in the Airport budget are considered, net earnings become more volatile on a year-by-year basis. Average net earnings for the 7-year period were \$27,500 per year.

Raw data used for this chart are summarized in Attachment C.

Other Updates of Note

As cited earlier in this report, the Airport Commission adopted the Finance Commission's recommendation to establish a landing fee schedule for transient aircraft (i.e., aircraft that is not housed in a Norwood Airport hangar or on a tie-down). This fee schedule went into effect in August of 2018.

When the Welch Building is completed, Airport Management will move from its current rental office space into this new town-owned building. The Town will incur utility expenses for this new office but those costs will be more than offset by the elimination of office rental expenses.

The Airport will also be entering into a lease with Flight Level to lease Lot ABC for tie-downs and the construction of a new hangar. Construction work is anticipated to commence before the end of calendar year 2019 with occupation expected in the spring of 2021. These arrangements are projected to generate additional real estate tax revenue for the Town in late 2021.

The Capital Outlay Plan includes an FY22 project to buyback the long-term lease from BMA for the Airport's 1,100 foot strip. Currently, BMA directly leases the land and pays Norwood PILOT payments. Ownership of the strip by Norwood would allow Norwood to directly lease land on the strip and improve its ability to derive direct revenue from lease arrangements and enhance business development at the Airport.

In terms of economic benefits, please use the below link to access the 2019 Mass DOT report on the economic benefits of Massachusetts airports:

https://www.mass.gov/files/documents/2019/03/25/AeroEcon_ImpactStudy_January2019.pdf

Acknowledgements

I would like to thank Russ Maguire, Airport Manager for his assistance in providing additional information and explanation of airport operations and Tom McQuaid, Director, Finances and Accounting for providing the financial summary of revenues, expenses and net earnings used in this report.

*Submitted to the Norwood Finance Commission
By Robert Donnelly, Finance Commissioner
November 7, 2019*

ATTACHMENT A - ACTUALS

		NORWOOD MEMORIAL AIRPORT - HISTORY OF REVENUES AND EXPENSES								
		FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019		
		Actual	Actual	Actual	Actual	Actual	Actual	Actual		
Revenue										
Direct									<i>% of Total</i>	
4423-8703	ST Leases	\$ 75,514	\$ 84,379	\$ 99,277	\$ 83,413	\$ 91,478	\$ 91,423	\$ 89,307	20.0%	
4424-8702	LT Leases	95,840	105,172	96,075	104,907	118,102	109,392	111,295	24.9%	
4425-8704	Flowage Fees	34,273	33,988	27,374	30,651	32,555	36,015	35,645	8.0%	
4426-8706	A/C Tie Down Leases	25,273	23,489	18,735	18,271	22,244	23,057	15,139	3.4%	
4491-8075	Misc Revenues	574	938	306	717	781	1,499	843	0.2%	
4491-8884	Security Passes	8,400	7,000	6,500	9,200	6,270	10,865	6,950	1.6%	
4512-9898	Landing Fees	N/A	N/A	N/A	N/A	N/A	N/A	23,416	5.2%	
Total Direct		239,874	254,966	248,267	247,159	271,430	272,251	282,595	63.1%	
Indirect										
4600-8610	Jet Fuel Tax	84,181	62,178	65,862	56,360	17,822	35,834	41,718	9.3%	
	N/A FEMA Reimbursement	-	-	22,519	-	-	22,806	-	0.0%	
	N/A PILOT - Flight Level & BMA	85,398	92,933	96,948	105,851	109,508	110,585	111,076	24.8%	
	N/A PILOT - Verizon Excise Tax	8,940	6,938	5,462	13,188	19,241	17,300	12,205	2.7%	
Total Indirect		178,519	162,049	190,791	175,399	146,571	186,525	164,999	36.9%	
Total Revenue		418,393	417,015	439,058	422,558	418,001	458,776	447,594	100.0%	
Expenses										
SALARIES										
P1069	Airport Salaries - Part Time	1,501	1,271	-	-	-	1,420	1,560	0.3%	
P1344	Airport Salaries - Longevity	1,000	1,000	1,200	-	1,500	1,500	1,700	0.4%	
P6014	Airport Salaries - Manager	85,594	87,307	89,053	91,257	93,561	95,900	102,929	22.9%	
P6015	Airport Salaries - Asst. Manager	67,753	69,108	70,490	72,236	74,058	76,232	77,924	17.4%	
P7067	Airport Salaries - Overtime	6,041	4,995	4,938	7,464	7,884	6,580	11,716	2.6%	
	Total Salaries	161,889	163,681	165,681	170,957	177,003	181,631	195,829	43.6%	
OPERATIONS										
P1327	Airport Oper - Rent / Utilities	20,644	20,644	20,644	20,903	23,369	24,647	25,602	5.7%	
P1328	Airport Oper - Communications	2,864	3,160	2,803	3,107	3,610	2,268	658	0.1%	
P1329	Airport Oper - Incidentals	7,394	9,468	15,749	7,636	14,696	8,899	13,279	3.0%	
P6843	Airport Oper - Util & Equip	13,871	14,949	10,880	12,121	11,447	17,535	13,556	3.0%	
P6844	Airport Oper - Vegetation Mgmt.	12,365	24,620	10,400	23,855	11,305	30,055	9,725	2.2%	
P6845	Airport Oper - Snow Removal	61,905	51,370	30,000	-	-	-	-	0.0%	
P6846	Airport Oper - Veh & Ground Equip	7,051	8,052	21,084	9,886	7,131	6,052	5,942	1.3%	
P6847	Airport Oper - Facility	60,196	18,086	9,432	54,915	42,278	25,634	25,806	5.7%	
P7026	Airport Security	4,732	4,566	4,347	8,754	2,841	4,906	7,664	1.7%	
P2136	Airport Eng Studies	2,500	2,700	3,000	-	7,619	3,500	2,925	0.7%	
P3068	Airport Snow and Ice	-	-	-	31,223	45,740	31,290	49,663	11.1%	
	Total Airport Operations	193,522	157,615	128,339	172,400	170,036	154,786	154,820	34.5%	
INCIDENTALS										
P2050	Airport Incid - Advertising	1,029	-	199	-	33	-	74	0.0%	
P2054	Airport Incid - Travel Allowance	169	1,379	-	190	443	592	3,545	0.8%	
P2056	Airport Incid - Steno	491	1,189	780	1,358	980	250	576	0.1%	
P2063	Airport Incid - Repairs	4,537	3,871	4,105	6,317	4,617	3,209	3,186	0.7%	
P2064	Airport Incid - Noise Education	-	500	1,040	-	520	-	-	0.0%	
P2359	Airport Incid - Professional Devel	-	-	275	1,070	1,109	225	4,535	1.0%	
	Total Incidentals	6,226	6,939	6,399	8,935	7,702	4,276	11,916	2.7%	
MATCHING GRANT COST										
P2060	Airport Construc - Matching Grant	29,796	40,323	4,916	5,105	17,932	15,338	29,533	6.6%	
P7471	Airport - SRE Building Completion							24,231	5.4%	
P7472	Airport - Taxiway Alpha Constr							32,724	7.3%	
		29,796	40,323	4,916	5,105	17,932	15,338	86,488	19.3%	
TOTAL COST		391,433	368,558	305,335	357,397	372,673	356,031	449,053		
Airport Surplus or (Deficit)		\$ 26,960	\$ 48,457	\$ 133,723	\$ 65,161	\$ 45,328	\$ 102,745	\$ (1,459)	100.0%	

ATTACHMENT B- REVISED		NORWOOD MEMORIAL AIRPORT HISTORY OF REVENUES AND EXPENSES - "Revised"						
		FY2013 Actual	FY2014 Actual	FY2015 Actual	FY2016 Actual	FY2017 Actual	FY2018 Actual	FY2019 Actual
Revenue								
Direct								
4423-8703	ST Leases	\$ 75,514	\$ 84,379	\$ 99,277	\$ 83,413	\$ 91,478	\$ 91,423	\$ 89,307
4424-8702	LT Leases	95,840	105,172	96,075	104,907	118,102	109,392	111,295
4425-8704	Flowage Fees	34,273	33,988	27,374	30,651	32,555	36,015	35,645
4426-8706	A/C Tie Down Leases	25,273	23,489	18,735	18,271	22,244	23,057	15,139
4491-8075	Misc Revenues	574	938	306	717	781	1,499	843
4491-8884	Security Passes	8,400	7,000	6,500	9,200	6,270	10,865	6,950
Total Direct		239,874	254,966	248,267	247,159	271,430	272,251	23,416
								282,595
Indirect								
4600-8610	Jet Fuel Tax	84,181	62,178	65,862	56,360	17,822	35,834	41,718
N/A	FEMA Reimbursement	-	-	-	-	-	-	-
N/A	PILOT - Flight Level & BMA	85,398	92,933	96,948	105,851	109,508	110,585	111,076
N/A	PILOT - Verizon Excise Tax	8,940	6,938	5,462	13,188	19,241	17,300	12,205
Total Indirect		178,519	162,049	168,272	175,399	146,571	163,719	164,999
Total Revenue		418,393	417,015	416,539	422,558	418,001	435,970	447,594
Expenses								
SALARIES								
P1069	Airport Salaries - Part Time	1,501	1,271	-	-	-	1,420	1,560
P1344	Airport Salaries - Longevity	1,000	1,000	1,200	-	1,500	1,500	1,700
P6014	Airport Salaries - Manager	85,594	87,307	89,053	91,257	93,561	95,900	102,929
P6015	Airport Salaries - Asst. Manager	67,753	69,108	70,490	72,236	74,058	76,232	77,924
P7067	Airport Salaries - Overtime	6,041	4,995	4,938	7,464	7,884	6,580	11,716
	Total Salaries	161,889	163,681	165,681	170,957	177,003	181,631	195,829
OPERATIONS								
P1327	Airport Oper - Rent / Utilities	20,644	20,644	20,644	20,903	23,369	24,647	25,602
P1328	Airport Oper - Communications	2,864	3,160	2,803	3,107	3,610	2,268	658
P1329	Airport Oper - Incidentals	7,394	9,468	15,749	7,636	14,696	8,899	13,279
P6843	Airport Oper - Util & Equip	13,871	14,949	10,880	12,121	11,447	17,535	13,556
P6844	Airport Oper - Vegetation Mgmt.	12,365	24,620	10,400	23,855	11,305	30,055	9,725
P6845	Airport Oper - Snow Removal	-	-	-	-	-	-	-
P6846	Airport Oper - Veh & Ground Equip	7,051	8,052	21,084	9,886	7,131	6,052	5,942
P6847	Airport Oper - Facility	60,196	18,086	9,432	54,915	42,278	25,634	25,806
P7026	Airport Security	4,732	4,566	4,347	8,754	2,841	4,906	7,664
P2136	Airport Eng Studies	2,500	2,700	3,000	-	7,619	3,500	2,925
P3068	Airport Snow and Ice	-	-	-	-	-	-	-
	Total Airport Operations	131,617	106,245	98,339	141,177	124,296	123,496	105,157
INCIDENTALS								
P2050	Airport Incid - Advertising	1,029	-	199	-	33	-	74
P2054	Airport Incid - Travel Allowance	169	1,379	-	190	443	592	3,545
P2056	Airport Incid - Steno	491	1,189	780	1,358	980	250	576
P2063	Airport Incid - Repairs	4,537	3,871	4,105	6,317	4,617	3,209	3,186
P2064	Airport Incid - Noise Education	-	500	1,040	-	520	-	-
P2359	Airport Incid - Professional Devel	-	-	275	1,070	1,109	225	4,535
	Total Incidentals	6,226	6,939	6,399	8,935	7,702	4,276	11,916
MATCHING GRANT COST								
P2060	Airport Construc - Matching Grant	-	-	-	-	-	-	-
P7471	Airport - SRE Building Completion	-	-	-	-	-	-	-
P7472	Airport - Taxiway Alpha Constr	-	-	-	-	-	-	-
TOTAL COST		299,732	276,865	270,419	321,069	309,001	309,403	312,902
Airport Surplus or (Deficit)		\$ 118,661	\$ 140,150	\$ 146,120	\$ 101,489	\$ 109,000	\$ 126,567	\$ 134,692

ATTACHMENT C - ALL \$\$\$s CONSIDERED

		NORWOOD MEMORIAL AIRPORT HISTORY OF REVENUES AND EXPENSES						
		FY2013	FY14	FY15	FY16	FY17	FY18	FY19
Revenue								
Direct								
4423-8703	ST Leases	\$ 75,514	\$ 84,379	\$ 99,277	\$ 83,413	\$ 91,478	\$ 91,423	\$ 89,307
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Indirect								
4600-8610	Jet Fuel Tax	84,181	62,178	65,862	56,360	17,822	35,834	41,718
N/A	FEMA Reimbursement	-	-	22,519	-	-	22,806	-
N/A	PILOT - Flight Level & BMA	85,398	92,933	96,948	105,851	109,508	110,585	111,076
N/A	PILOT - Verizon Excise Tax	8,940	6,938	5,462	13,188	19,241	17,300	12,205
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P6845	Airport Oper - Snow Removal	61,905	51,370	30,000	-	-	-	-
P6846	Airport Oper - Veh & Ground Equip	7,051	8,052	21,084	9,886	7,131	6,052	5,942
P6847	Airport Oper - Facility	60,196	18,086	9,432	54,915	42,278	25,634	25,806
P7026	Airport Security	4,732	4,566	4,347	8,754	2,841	4,906	7,664
P2136	Airport Eng Studies	2,500	2,700	3,000	-	7,619	3,500	2,925
P3068	Airport Snow and Ice	-	-	-	31,223	45,740	31,290	49,663
	Total Airport Operations	193,522	157,615	128,339	172,400	170,036	154,786	154,820
INCIDENTALS								
P2050	Airport Incid - Advertising	1,029	-	199	-	33	-	74
P2054	Airport Incid - Travel Allowance	169	1,379	-	190	443	592	3,545
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P2064	Airport Incid - Noise Education	-	500	1,040	-	520	-	-
P2359	Airport Incid - Professional Devel	-	-	275	1,070	1,109	225	4,535
	Total Incidentals	6,226	6,939	6,399	8,935	7,702	4,276	11,916
MATCHING GRANT COST								
P2060	Airport Construc - Matching Grant	29,796	40,323	4,916	5,105	17,932	15,338	29,533
P7471	Airport - SRE Building Completion	29,796	40,323	4,916	5,105	17,932	15,338	24,231
P7472	Airport - Taxiway Alpha Constr							32,724
								86,488
Other Costs								
	General Support (Acct, Treasury, IT)	-	-	-	-	6,000	-	-
	Legal/Litigation	-	-	-	-	10,400	-	-
	Airport Insurance	-	-	-	-	13,800	-	-
	Employee Benefits Cost (est @ 30% of salaries)	-	-	-	-	25,000	-	-
	Total Other Costs	57,970	54,563	45,075	52,761	55,200	51,853	57,254
Total Expenses		449,403	423,121	350,410	410,158	427,873	407,884	506,307
Net Earnings		\$ (31,010)	\$ (6,106)	\$ 88,648	\$ 12,400	\$ (9,872)	\$ 50,892	\$ (58,713)