



## MEMORANDUM

TO: THE HONORABLE MAYOR AND CITY COUNCIL

THROUGH: BERT LUMBRERAS, CITY MANAGER  
STEPHANIE REYES, ASSISTANT CITY MANAGER  
JOE PANTALION, ASSISTANT CITY MANAGER

FROM: MARIE KALKA, DIRECTOR OF FINANCE

DATE: APRIL 16, 2021

RE: AIRPORT FINANCIAL ANALYSIS

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City Council requested information about the Airport budget and financials at the April 6 Council meeting when discussing the Airport Master Plan. Finance staff met with Texas Aviation Partners (TAP), the contracted managers of our Airport, in a previously scheduled meeting shortly after to discuss this topic. While the audited financials show a net operating loss of \$172,715 for 2020, after analyzing the Airport's financials there are a number of additional considerations, listed below:

- TAP has been managing the City's airport for over 10 years and since partnering with the City in October 2010, revenues have significantly increased (see attached Exhibit A-Total Operating Revenues line).
- The transfer from the General Fund to support the airport's operations over the last ten years has fluctuated; ranging from \$185K in 2011 to \$0 in 2020 with the last few years being the lowest (see attached Exhibit A-Transfers In line).
- The Airport is an Enterprise Fund and (unlike the General Fund) requires us to use the full accrual basis of accounting and record transactions based on the flow of economic resources. This means that the City must record non-cash and long-term assets and liabilities, and because of this the Airport's financial statements present a more negative picture. For 2020 there was \$156,622 of Depreciation recorded (see attached Exhibit B-Depreciation line).
- Tenants that improve their hangar are provided a rental improvement credit that reduces the revenue recorded on the City's books. For 2020 improvement credits were \$56,659 (see attached Exhibit B-Improvement Credits line).
- In the TAP's contract is an income incentive that is calculated as 25% of revenues less base year revenues (incrementally increased by 4% each year). For 2020, income incentives were \$66,548 (see attached Exhibit B-Income Incentives line).



- In 2020, charges for revenues fell short of estimates (see attached Exhibit B-Net Charges for Revenues line). This was due to several areas coming in under budget including the renegotiation of one of the agricultural land leases.
- In 2020, the Airport's operating budget reflects a net operating loss in the system of \$37,626 (see attached Exhibit B-Net Operating Income (Loss) line); however, no transfer from the General Fund was necessary as there was no negative cash needing to be funded. In addition, since it is an Enterprise Fund, the Annual Financial Report Airport numbers reflect a combination of the operating and CIP fund as required by GASB. This means additional RAMP grant revenue of \$61,972 is reflected in the financials (see attached Exhibit B-Intergovernmental line) and non-capital CIP expenses of \$40,439 (see attached Exhibit B- included in the Materials and Supplies line) which reduces our operating loss to \$16,093. In addition, there is depreciation of \$156,622 recorded (see attached Exhibit B- Depreciation line) and while this is a non-cash item it does bring our change in net position to \$172,715.

As we work on the Airport's 2022 budget, we will continue to work with TAP to develop a budget that accurately reflects anticipated revenues and expenditures with the continued goal of the Airport being self-sustaining.

Please let me know if there are any additional questions.

Exhibit A  
City of San Marcos  
Airport Financials

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b><u>Operating Revenues:</u></b>												
Charges for Services	193,362	141,010	209,725	261,310	287,640	288,112	251,582	392,604	427,594	527,792	529,059	498,723
Intergovernmental	80,426	37,422	46,985	319,244	585,578	4,320	44,659	47,640	48,748	44,400	-	61,972
Miscellaneous	-	-	-	-	39,934	-	-	-	-	-	-	1,100
Total Operating Revenues	273,788	178,432	256,710	580,554	913,152	292,432	296,241	440,244	476,342	572,192	529,059	561,795
<b><u>Operating Expenses:</u></b>												
Personal Services	95,801	29,686	3,263	2,007	-	-	-	-	-	-	-	-
Indirect Costs	62,687	63,314	-	-	-	-	-	-	-	-	-	-
Contracted Services	41,892	51,858	285,221	320,695	327,111	337,853	371,976	379,032	399,613	448,933	499,618	470,701
Materials and Supplies	6,252	4,424	9,765	-	59,711	32,983	19,376	48,408	87,178	83,024	113,834	107,187
Other Charges	6,013	5,535	4,455	23,082	-	13,341	12,463	9,364	-	-	-	-
Depreciation	520,976	539,253	407,854	255,089	255,788	263,476	166,117	144,486	149,878	152,650	156,085	156,622
Total Operating Expenditures	733,621	694,070	710,558	600,873	642,610	647,653	569,932	581,290	636,669	684,607	769,537	734,510
Operating Income (Loss)	(459,833)	(515,638)	(453,848)	(20,319)	270,542	(355,221)	(273,691)	(141,046)	(160,327)	(112,415)	(240,478)	(172,715)
<b><u>Non-Operating Revenues (Expenses):</u></b>												
Transfers In	7,725	-	185,319	170,636	135,082	38,822	40,000	151,000	60,000	27,000	25,000	-
Other	1,934	25	9,000	61,353	-	-	-	-	-	-	-	-
Grants	-	-	-	-	-	46,822	-	-	-	-	-	-
Total Non-Operating Revenues (Expenses)	9,659	25	194,319	231,989	135,082	85,644	40,000	151,000	60,000	27,000	25,000	-
Change in Net Position	(450,174)	(515,613)	(259,529)	211,670	405,624	(269,577)	(233,691)	9,954	(100,327)	(85,415)	(215,478)	(172,715)
Unrestricted Fund Balance	108,945	(37,945)	(57,554)	331,655	331,020	42,006	(58,327)	48,472	49,275	60,306	912	(23,242)

Exhibit B City of San Marcos Airport Financials				
Description	2020 Operating Budget	2020 Operating Actual	CAFR	Description
Revenues:				
Charges for Revenues	689,855	555,382		
Improvement Credits	<u>(74,000)</u>	<u>(56,659)</u>		
Net Charges for Revenues	615,855	498,723	498,723	Charges for Services
Other Revenue	-	1,100	1,100	Miscellaneous
	-	-	<u>61,972</u>	Intergovernmental
Total Revenue	615,855	499,823	561,795	
Expenditures:				
Airport Mgmt Contract	459,850	469,850	470,701	Contracted Services
Other	56,000	851		
Income Incentives	99,865	66,548	107,187	Materials and Supplies
Regulatory Fees	200	200		
	-	-	<u>156,622</u>	Depreciation
Total Expenditures	615,915	537,449	734,510	
Net Operating Income (Loss)	(60)	(37,626)	(172,715)	Change in Net Position

Income Incentives Calculation

Revenue Collected	555,382
Base Revenue	289,192
Net Revenue	266,190
25% Income Incentive	66,548