

State of the Airport Address, 2006 Annual Report

*Millington Airport Authority, Chairman Jim Phillips
January 2007*

The Millington Regional Jetport is an asset to the City of Millington and the surrounding community it serves. As such, stakeholders are entitled to receive an annual account of its operations, and may be surprised at the far reaching positive economic and non-economic impact the Jetport has in the community. The purpose of this Annual Report is to provide timely information to Authority stakeholders, which include local government leaders, community members, and all other interested parties. The Report will be delivered in four basic sections: Introduction, Highlights, Financial, and a Conclusion. The Introduction section clarifies the governance and administration. The highlight section serves as a calendar year 2006 year in review. The Financial section provides a brief overview of the FY2006 annual audit. The Conclusion will briefly identify goals for calendar year 2007 and beyond.

INTRODUCTION

The Millington Regional Jetport is owned and operated by the Millington Airport Authority, governed by a 9-member Board of Commissioners, and managed by an Executive Director. The Millington Airport Board of Commissioners meets the third Tuesday of each month at 3:30 p.m. in the Jetport Conference Room, to conduct Authority business. Members of the public are invited and encouraged to attend. Although the Mayor of Millington, subject to approval by the Board of Alderman, appoints the Board of Commissioners, the Authority is a separate entity from the City. An airport enterprise fund is used to support the operations, maintenance, and capital improvements of the Jetport. Sources of revenue include grant, rents, fees, and other contractual use agreements. Primary expenses are operations, safety, and capital improvements.

HIGHLIGHTS

In January the year began with continuing negotiations toward a one-year extension to amend the existing Federal Express Agreement to designate Millington as an alternate landing facility. The Agreement sets forth terms and conditions for services that the Jetport will have available in case FedEx needs to land in Millington. In consideration, the Authority will receive \$618,000.00 over the course of the year to cover costs. A lease amendment with Tulsair was completed to continue fixed base operations service. Annual minimum rent from Tulsair will be \$14,440.00 for each remaining year on Lease.

In February the Airport Authority opened bids on a project to demolish the old wings on the air traffic control tower and modernize some of the tower interior. Jaycon Development was selected to perform the work, and the contract was in the amount of \$194,300.00 for the demolition and \$141,275.00 for inside renovations.

In March a financial report of the 2006 Mid-South Air Show Foundation was made. A reported \$200,000.00 was made to local children's charities. The next Air Show will be in September 2007.

By April, the Airport Authority began discussions with a Magnolia, a proposed new-start airline. Magnolia expressed an interest in leasing Hangar 126 to base their new operation. The primary topic of discussion at the time was regarding minimal requirements to meet fire suppression needs, estimated at \$600,000.00 and it is anticipated that negotiation will continue into 2007.

By May the national search to replace Mr. Russ Noble, retiring Airport Executive Director, was nearing completion. Mr. Noble's great leadership skills led to many accomplishments over his 10 year tenure. A project to construct 40 new hangars was also nearing completion and tenants began moving in. This revenue generating project cost \$1,788,450.00 to construct hangars and \$1,197,900.00 for site preparation and access road addition.

In June the Authority began receiving rental income from the now fully constructed aircraft storage hangars. The first day on the job for the new Airport Executive Director, Tracy Williams, was June 26.

In July the Authority accepted a State grant in the amount of \$45,000.00 to relocate the rotating beacon from the water tower that is to be demolished some time in the future by the Navy. Also, Shelby electric was selected to provide security upgrades including automatic drive-thru gates. Contract amount was \$107,555.00.

In August bids were received for a project to provide concrete repairs to the aircraft parking ramp. The lowest bidder for this project was Grinder & Haizlip Construction, with concrete to be supplied by 51 Concrete, a local business. The award amount for this project is approximately \$675,000.00.

In September several new lease agreements were entered into, providing new sources of revenue to support the airport enterprise fund. These included the leasing of Hangar 126, aircraft storage hangars, and other storage agreements. A significant amount of surplus equipment was also sold, which positively impacted the airport enterprise fund, and cleaned up the look of abandoned property.

In October new rental car concession agreements were entered into with the local companies, just in time for NASCAR. Avis, Hertz, and Enterprise will pay the Authority 10% of gross for all transactions generated at the Millington Regional Jetport for the next two years.

In November the Airport Authority conducted an election of officers. Mr. Jim Phillips would remain as Chairman. Mrs. Linda Carter stepped down as Vice Chair and was replaced by Mr. Babe Howard. Mr. Buck Walters will continue as Treasurer. Mr. Don Lowry Chairs the Lease Committee assisted by Mr. Allan Williams, and Mr. Lee Lawson. Other members of the Board include Mr. Richard Hodges and Mr. Dennis Wages. On November 11, the Jetport hosted the Plane Pull, a successful fund raising event for Special Kids and Families.

In December the security upgrades neared completion. Automated gates came on-line and an access control system was put into place. Two automatic drive-thru gates now require coded gate proximity cards to gain entry. Cards are not needed to exited, as the system includes ground loops inside the fence. This project was completed on-time and under budget.

FINANCIAL

The FY 06 audit with accompanied financial statements was completed by Ison & Decosimo, a CPA firm of Memphis. The purpose of the audit was to provide information on the financial health of the Authority. However, overall evaluation of the financial health of the Authority should include non-financial factors such as the physical condition of the airport and net assets. The majority of the Authority's net assets are invested in capital assets (land, buildings, improvements and equipment). These assets are used to provide airport services to the general public and commercial users. Airport operating revenues increased from \$743,487.00 in FY05 to \$771,348.00 in FY06. The primary source of revenue is a service contract with FedEx, along with rental income and percentage fees. Operating expenses increased from \$945,138 in FY05 to \$1,137,611 in FY06. The largest expense is payments to the City of Millington for fire protection, grass cutting, and operations and administrative fees. The Authority reimbursed the City of Millington \$569,921.00 for expenses, and received a \$150,000.00 contribution from the City. During FY06, a combination of Federal and State grants totaling approximately \$3.1 million was accepted by the Authority to improve the Millington Regional Jetport. Net assets are valued at \$19,750,732.

CONCLUSION

An Airport Business Plan was completed in 2005, and implementation of the recommendations is on-going. The purpose of the business plan was to recommend potential means to improve the Jetports financial performance, economic development, and operations. A goal of the plan was to better outline the Jetport's niche market and to put the Jetport on a path to capture those markets. The Authority has in its possession several boxes of marketing materials that will be distributed as part of a marketing plan. A goal in 2007 is to continue implementation of the business plan and includes more aggressive marketing efforts. The marketing goal in 2007 will be the attraction of additional corporate and commercial aviation.

The Mid-South Air Show Foundation will be held September 22 and 23, 2007. Some of the entertainment will include the Navy Blue Angels, Canadian Snowbirds, Army Golden Knights, and BigFoot Monster Truck, Shockwave Jet Truck along with many other demonstrations and performers. The Mid-South Airshow Foundation has a philanthropic mission, serving organizations with a focus on the needs of the children of the Midsouth and touching the lives of thousands of residents. Organizations chosen as beneficiaries of the 2007 airshow include the Madonna Learning Center, Big Brothers Big Sisters, Memphis Oral School for the Deaf, Memphis Child Advocacy Centers and Pathfinders. A considerable amount of planning is required to make an event such as this safe, successful, and fun for the whole family. Authority support of this event is critical.

An Airport Master Plan Study for the Millington Regional Jetport is being prepared for the Airport Authority Board of Commissioners. The purpose of the study is to determine the aviation needs of the Millington Regional Jetport and its service area for the next 20 years. Elements in the study include an inventory of support facilities, an analysis of land uses to ensure compatibility with surrounding land use plans, and an environmental overview of potential environmental impacts of planned airport development. Another important element in the Plan is a Capital Improvements Program with cost estimates over the 20 year planning period. To date, several community presentations on the Master Plan Study have been made, and the Executive Director is prepared and available to deliver a power point presentation to groups of any size. In calendar year 2007, planned capital improvement include reconstruction of failed portions of the aircraft parking ramp, site work leading to construction of two additional box hangars, and relocation of the rotating beacon. The total estimate for these three projects is approximately \$1.3M. Other capital projects may occur depending upon the availability of funds, or if a third party developer is secured. The goal is to complete the Airport Master Plan Study, communicate its contents and begin to implement its recommendations.

Jim Phillips, Chairman
Millington Airport Authority

Tracy L. Williams, AAE
Executive Director