

Kalispell City Airport Work Session 7/11/2016

The South Kalispell Urban Renewal Plan Update shows that continuing to operate the Kalispell City Airport will have financial consequences. These consequences will require continual taxpayer subsidy to keep this airport operating. There are multiple ways to subsidize the airport including an increase in property tax (mils in reserve), reduction of City services (decrease in current budgeting levels to shift to airport fund) or even the possibility of a tax payer approved bond during the November 2017 City election. (Bond value should take into account all conditions listed below to insure success through the lease terms)

Airport Users have requested an opportunity to form a plan to keep the facility open. We understand that a plan developed by users may deviate from those outlined in the South Kalispell Urban Renewal Plan update. For that reason this list of preliminary conditions has been developed to insure airport user group success and eliminate all taxpayer liability.

Conditions required in any proposal developed by airport users to keep airport in operation.

1. Reserve Account: **\$18,688,978**
 - a. \$15,000,000 For Lease Buyout Funds [1]
 - b. \$1,500,000 Million For Demolition Funds [1]
 - i. The South Kalispell Urban Renewal Plan had a total expense value of \$3,899,000 and a Net Present Value of Expenses equaling \$3,100,000 [2]
 - c. \$2,188,978 Total Operational Loss for the length of the lease terms. Average net loss minus depreciation of \$99,499 per year [3] multiplied by 22 years. [4]
 - i. Yearly operational loss will be documented and paid out of the reserve account.

Due to the significant discrepancy between the South Kalispell Urban Renewal Plan and the data publicly presented by City Airport Users and Pilots of Red Eagle Aviation [1], the City has no choice but to accept the greater **unfounded** number to protect taxpayer interest. If the lease holders decide to produce (at their cost) valid property appraisals on **all** leases requiring buy out this number can be adjusted. Adjustment may require the continuation of the appraisal process outlined in the lease language if the City questions the appraisal data presented.

The same goes for the true cost of airport demolition. Airport users can produce 3 separate valid BID's for airport demolition expenses where the average number of the three bids can adjust airport demolition costs.

Financial requirements of Section 1 related to lease buy out (15 Million or results from lease appraisal process) can be removed entirely if **ALL** remaining lease holders renegotiate their lease term from current status to month to month.

Rational: Taxpayer protection is of the utmost importance. Users are required to pay for the airport. City tax payer subsidy is not permitted. Reserve account is required due to the time frame of Tax Increment Financing District sunset date.

2. Airport Users invest \$1,156,322 to complete the Kalispell City Airport Capital Improvement Plan in accordance to the work schedule [5]
3. Facility Upgrades
 - a. All infrastructure projects must be paid for out of the Airport fund.
 - b. Upgrades that result in expanded infrastructure are prohibited due to voter referendum [6]

- c. Future lease terms will be month to month until such time that historical trends and future projections indicate positive cash flows and a strong and secure airport fund status.
 - 4. Airport User Plan Acceptance
 - a. Airport Users Plan must receive a positive recommendation to the Kalispell City Council by City Staff. Staff will evaluate the plan based on financial data, legality, planning, and management
 - b. Hard Date for plan acceptance is May 1, 2017
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- Council Should Take Inflation Into Account
 - A formula can be created to have a year by year reduction of the reserve account after all operational losses are paid and liability decreases (must take operations and a year CIP into account)

Sources

[1] Paid Advertisement, Kalispell City Airport, Daily Interlake June 24, 2015 [a.]

[a.] Identified Advertisers: Daily Interlake Article, 6/28/2016, Airport Vote Moved to Aug 1, City Airport Users and Pilots of Red Eagle Aviation

[2] Alternative #2 Capital Costs and Resulting Revenue, Figure 21, page, 32 South Kalispell Urban Renewal Plan April 2016

[3] Airport Financial History, Figure 15, page 25, South Kalispell Urban Renewal Plan January 2016

[4] Kalispell City Airport- Remaining Lease Buyout Summary, page 74-75, South Kalispell Urban Renewal Plan April 2016. Last lease signed was in 2008 (20 year + extensions 10 years) [b.]

[b.] CTA Missed the two ten year extensions in the plan update, data confirmed with City Manager

[5] Existing Airport Capital Improvement Plan, Figure 17, page 26, South Kalispell Urban Renewal Plan April 2016

[6] Voter Referendum, November 5, 2013, Vote Count 1886 to 1535 to repeal Kalispell City Resolution 5572 Secretary of State, Montana