

EXECUTIVE SUMMARY

Denton Municipal Airport Business Plan

INTRODUCTION

THE PURPOSE OF THIS BUSINESS PLAN FOR Denton Municipal Airport (DTO) is to assess potential means to improve the Airport's financial performance, economic development, and operation. The business plan evaluates a number of potential operational and development scenarios and provides the City of Denton with decision-making information. The recommended plan of action rests on the following four initiatives:



- 1) ***Airport Brand Development:*** The suggested Airport brand would target two distinct segments of aviation demand: corporate aviation and flight training. By separating traffic through the development of a parallel runway, the Airport could enjoy benefits associated with both types of activity. Corporate aviation benefits bring significantly higher levels of spending and employment than recreational general aviation activity. Training activity has also become a big business on the Airport and is responsible for growth in activity levels, aircraft storage and maintenance, and on-airport employment. Retaining these two segments of demand will be important in the long term development of the Airport.
- 2) ***Enterprise Fund Transition:*** The Business Plan recommends the transition of the Airport financial system from that of general fund to an enterprise fund. This transition would involve continued management actions to make the Airport economically self-sufficient in the future. To facilitate long-term financial self-sufficiency, the Airport should consider a variety of revenue generating opportunities.
- 3) ***Hangar/Rental Property Development:*** As discussed, the availability of the gas well revenues to fund capital development at the Airport should not be limited to non-revenue producing infrastructure. Rather, this Business Plan recommends that the City develop hangars and other buildings that can be leased in support of operating revenues. Development at the southeast taxiway site could be provided solely by the

City or in concert with private development, if desired. City ownership of rental property is already scheduled to occur as current leases expire and reversion clauses transfer ownership of existing hangars to the City.



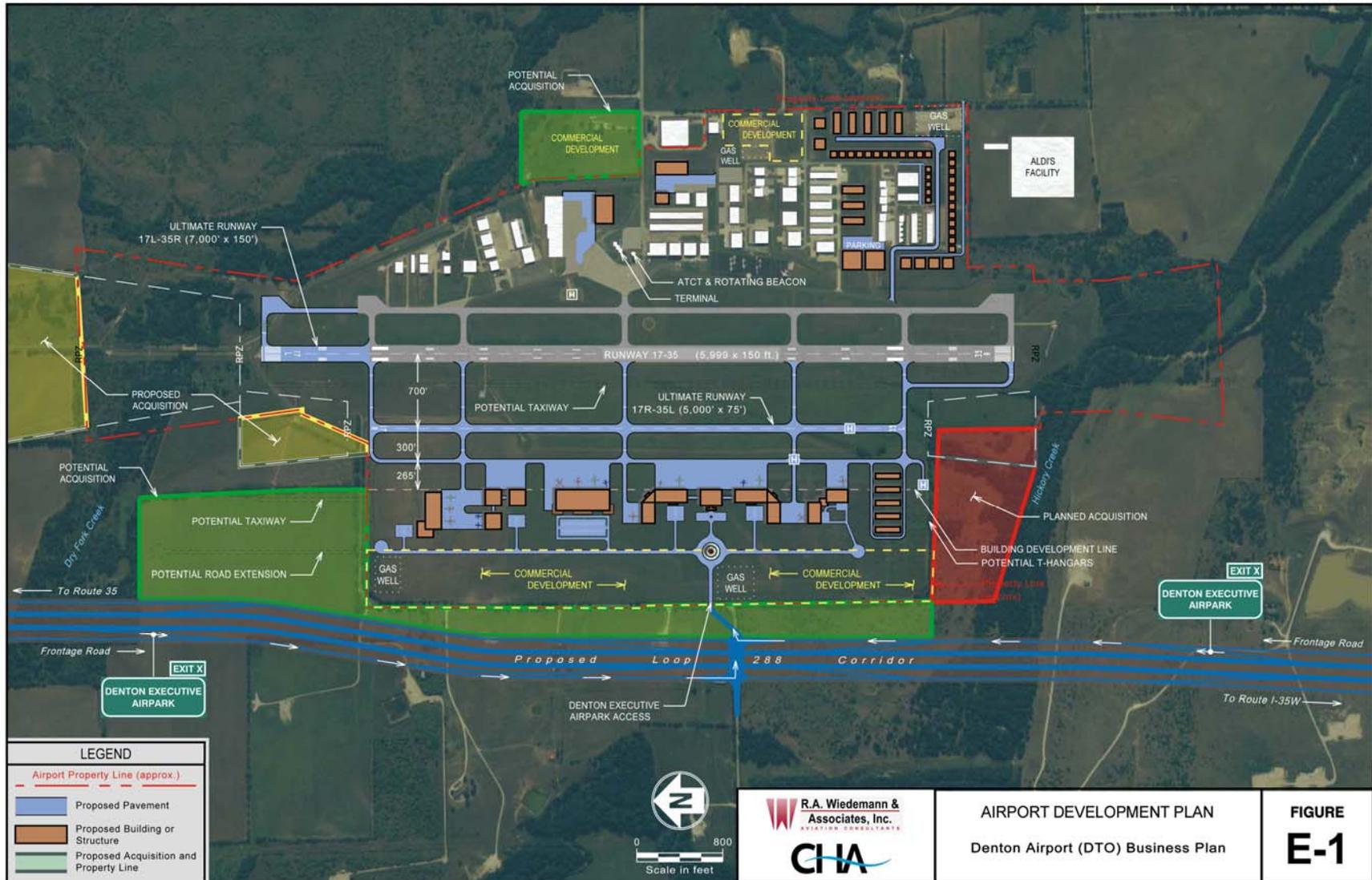
- 4) ***Long Term Development:*** In the near term, the Airport has expansion capacity on the east side. However, for the long term, the focus of development should be on the west side, with Loop 288 providing access in the future. To begin moving toward more use of the west side, this plan recommends the development of a helipad and later, a parallel runway for general aviation training operations. Other long-term growth involves the potential partnership with UNT for more training and aviation education, development/expansion of the Foreign Trade Zone, and attraction of a large aviation industrial client (aviation manufacturing/fabricating). The City of Denton should also consider modifying its airport governance structure to assist with vetting financial proposals for the Airport as well as provide policy input related to targeted marketing initiatives and development.

OVERALL AIRPORT DEVELOPMENT

Hangar and other building development is planned on the east side of the runway along the new Southeast Taxiway. For the 2010-2018 period, an estimated need of 165,000 square feet of additional hangar space is predicted. On the Southeast Taxiway area, it was estimated that a total of 22 acres and 288,000 square feet of developable hangar space is available. Thus, all of the predicted demand will fit into the land area available on the east side of the runway.

With the influx of pilot training in both helicopters and fixed wing aircraft, there is now a significant need for a parallel runway. The future parallel runway depicted in Figure E-1 is 5,000 feet by 75 feet and would be used primarily for small aircraft, to provide an alternative runway for training aircraft. This runway could be completed in stages, with the first phase development providing 3,200 feet in length.

In addition to a parallel runway, there is approximately 200 acres of open land on the west side of the existing airport property. An additional 150 acres are also available for potential acquisition for a total of 350 acres for development. However, beyond the runway, there is still ample land available for additional development. This land could be used for both aviation and non-aviation development as shown in Figure E-1.



Non-aviation development at DTO must ultimately conform to the City's land use plan and be compatible with surrounding uses and the operation of the Airport. Additionally, it is anticipated that the proposed Loop 288 Roadway along with appropriate utilities will attract businesses to the area. While construction of this section of Loop 288 is still five to ten years away, thoughtful planning of the timing/phasing and financing of such development should be considered now.

BUSINESS PLAN OPTIONS AND RECOMMENDATIONS

As guidance for the City of Denton and Airport Management, the following is a proposed timeline for implementing the recommendations presented in this section.

2010

- **1st Priority – Reversion Clauses:** The City of Denton should retain its interest in leases that specify a reversion of ownership of leasehold improvements to the City.
- **2nd Priority - Branding:** The focus of Airport branding for DTO should be toward business, education, and training.

- The City of Denton should consider renaming the Airport, once the branding activities have begun.

- **3rd Priority – Existing Clientele Feedback:** The City of Denton should meet quarterly with existing clients and tenants to solicit feedback on economic and service issues facing tenants.

- **4th Priority - Marketing:** The City of Denton should include new media as part of its growth strategy.

- **5th Priority – Revenue Producing Property:** The City of Denton should consider investing in revenue-producing development to ensure future financial self-sufficiency.

- The City of Denton should seek the development of hangar space and other revenue producing buildings as demand warrants.
- The City of Denton should consider changing the surface gas leases from non-operating to operating revenue designation.



2011 - 2012

- **1st Priority - Airport Enterprise Fund:** The City of Denton should set up an enterprise fund accounting structure for the Airport after FY 2009-2010.
- **2nd Priority - Staffing:** The City of Denton should increase Airport staffing to include at least one additional staff resource.

- **3rd Priority – Hangar Development:** The City of Denton should seek the development of hangar space and other revenue producing buildings as demand warrants.
- **4th Priority – Land Acquisition:** The City of Denton should acquire land for aviation and non-aviation activities in support of the Airport mission.
- **5th Priority - Marketing Program:** The City of Denton should initiate a direct marketing information campaign targeting business and corporate aviation.
- **6th Priority – Amenities and Services:** The City of Denton should encourage the provision of other amenities and services described in this Plan as demand warrants.

2013 - 2018

- **1st Priority – Hangar Development:** The City of Denton should seek the development of hangar space and other revenue producing buildings as demand warrants.
- **2nd Priority – Parallel Runway:** The City of Denton should plan for the development of a parallel runway on the West Side to accommodate pilot training activity.
- **3rd Priority – West Side Development:** The City of Denton should plan for the development of aviation and non-aviation uses the west side of the Airport as demand warrants.
- **4th Priority - Amenities and Services:** The City of Denton should encourage the provision of other amenities and services described in this Plan as demand warrants.



IMPACTS ON REVENUES AND EXPENSES

Alternatives suggested for consideration include revenue derived from:

- Continuing the current practice of developing land for ground leases only
- Investing gas well royalty revenue in income-generating facilities on the Airport

Preliminary analysis indicates the Land Leases Only option shows a negative net operating revenue through the year 2016. If the City desires to operate the Airport as an Enterprise Fund, it would best be implemented using the gas well royalty investment scenario to produce revenue sufficient to achieve financial self-sufficiency.