

## **Rutherford County Airport Fuel Prepay Proposal**

The current fuel pre-purchasing policy was established by the Rutherford County Airport Authority in FY2011-12. The current policy is:

- Jet-A fuel may be pre-purchased at cost, plus a predetermined mark-up. (20 cents).
- 1,000 gallon minimum to pre-purchase.
- The same 20 cents is used to mark-up, regardless of amount purchased.

Fuel prices, particularly Jet-A (which is basically a high grade kerosene or diesel) tend to rise in winter months due to winter heating costs. As mentioned earlier in previous deliberations, this policy provided positive cash flow if the price remained at the price it was sold or dropped below that level. If the price of fuel rose, the policy could result in a negative cash flow if the price of fuel rises.

Fuel prices fluctuate weekly, which staff monitors and compares with the price of fuel sold at surrounding airports. This allows Rutherford County Airport to provide competitive pricing for airplanes based at the Airport or travelling through the area.

Initially staff proposed a rebate program that would provide lower pricing for volume fuel purchasers but this concept did not fit well with several aircraft owners' business models. In the alternative, the County Manager and Airport Operations Manager have discussed a flowage fee proposal with aircraft owners/operators and it has been positively received.

The fuel flowage proposal would work as follows:

- Prepayment for Jet A (no pre-payment plan for 100LL)
  - \$2,500 to 7,499      Price of fuel: Current Cost plus 40 cents and taxes
  - \$7,500 and over      Price of fuel: Current Cost plus 15 cents and taxes
- Current Cost equals the price of the fuel delivered plus a 20-cent per gallon operations charge.
- Pre-payments would not be recorded as revenue until the fuel is pumped into the aircraft. This reduces monthly fluctuations and does not overstate revenues. Pre-payments will be carried as a liability until the fuel is sold (put into an aircraft).
- Accounts shall be established by tail number, not by payee or user.
- Only aircraft taxed at Rutherford County Airport shall be eligible for the pre-pay program.
- Each year, the County would advise pre-payers of their balance and request notice whether the pre-payer wanted to continue the balance or have it refunded.
- This program would commence December 1, 2013