



Office of the Town Administrator Town of Montague

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To: Montague Selectboard
From: Walter Ramsey, Town Administrator
Date: September 17, 2026
Re: Turners Falls Municipal Airport – Proposed Financial Oversight Model

Purpose

The Turners Falls Municipal Airport operates as a Town enterprise fund under the oversight of the Airport Commission. The Airport has experienced recurring financial challenges, including operating revenues falling below budget expectations and a substantial backlog of anticipated grant reimbursements.

Of particular concern, the Town is currently carrying approximately **\$600,000 in outstanding Airport-related grant reimbursements and associated deficit balances**. These deficits materially affect the Town's year-end financial position and certified free cash.

Some timing lag between airport capital expenditures and grant reimbursement is inherent in federally and state-funded airport projects. However, an outstanding balance of this magnitude warrants substantially greater financial oversight, particularly where delayed or unrealized reimbursements have consequences for the Town's General Fund and free cash.

This memorandum proposes an oversight structure intended to preserve the Airport Commission's statutory responsibility for airport management while integrating the Airport much more closely into the Town's financial-management system.

Existing Governance Framework

Under G.L. c. 90, §51E, the Airport Commission has statutory "custody, care and management" of the municipal airport. Accordingly, day-to-day airport operations and aviation policy remain principally within the Commission's authority.

That statutory responsibility does not make the Airport financially autonomous from the Town. The Airport remains a municipal operation, and the Town ultimately bears the financial consequences when Airport revenues, grants or capital financing do not perform as anticipated.

This distinction is particularly important for grant-funded projects. FAA Airport Improvement Program reimbursements generally require the airport sponsor to submit payment requests supported by incurred costs and appropriate documentation. FAA guidance requires sponsors to administer grants using sound management practices and provides mechanisms for regular reimbursement requests rather than requiring large receivables to accumulate indefinitely.

The Town of Montague is an equal opportunity provider and employer

Massachusetts DLS has similarly emphasized that deficit balances in grants and other special-revenue accounts can directly reduce certified free cash. DLS specifically recommends that municipalities establish controls to ensure timely receipt of anticipated reimbursements and prevent such deficits from developing.

Proposed Oversight Model

I recommend that the Selectboard and Airport Commission establish a formal **Airport Financial Oversight Framework**, either through a memorandum of understanding or complementary policies adopted by the two boards.

The framework should contain the following elements.

1. Immediate reconciliation of outstanding grant reimbursements

The first priority should be a complete reconciliation of the approximately \$600,000 presently outstanding.

For each FAA, MassDOT or other grant, the Airport Manager and Town Accountant should identify:

- total grant authorization;
- eligible project expenditures incurred;
- reimbursement expected;
- reimbursement requests submitted;
- reimbursement received;
- outstanding balance;
- date of the oldest unreimbursed expenditure;
- reason each amount remains outstanding;
- whether reimbursement remains collectible; and
- anticipated payment date.

Each outstanding balance should then be classified as:

1. reimbursement properly submitted and awaiting payment;
2. eligible expenditure for which reimbursement has not yet been requested;
3. reimbursement delayed pending documentation or project closeout; or
4. expenditure for which reimbursement is uncertain or no longer available.

Any amount falling into the fourth category should immediately be reported to the Selectboard because it may represent an actual municipal funding obligation rather than a temporary receivable. Note that several of these grant in the fourth category are planned to be reconciled at the Special Town Meeting (Article 4). So this is already in progress.

2. Monthly grant reconciliation

Going forward, the Airport Manager and Town Accountant should reconcile all Airport grant accounts monthly.

The Town should maintain a standardized grant schedule showing expenditures, reimbursement requests, receipts and outstanding balances for every active project.

Grant administration should therefore become a regular component of the Town's monthly financial closing process rather than an activity occurring primarily within the Airport operation.

3. Reimbursement submission standards

The Airport should establish an expectation that reimbursement requests will be submitted promptly after eligible expenditures are incurred.

FAA guidance permits regular electronic payment requests and requires sponsors to administer grants using sound financial-management practices. FAA also monitors whether regular grant payments are occurring as projects advance.

For major construction projects, the Town should generally seek reimbursement following significant contractor payments rather than allowing large unreimbursed balances to accumulate.

4. Financial escalation thresholds

The Town should establish objective thresholds requiring management attention before reimbursement issues become significant.

For example, an Airport grant could require written review by the Town Administrator and Town Accountant whenever:

- total unreimbursed eligible expenditures exceed **\$100,000**; or
- an eligible expenditure remains unreimbursed for more than **60 days** after it is reasonably available for reimbursement.

Exceeding a threshold would not necessarily indicate a problem. It would require an explanation of the status, anticipated payment date and any corrective action needed.

Material or unresolved issues would be reported to the Selectboard.

5. Monthly operating financial reports

The Airport Manager should provide the Town Administrator and Town Accountant with a standardized monthly report showing:

- budget-to-actual operating expenditures (provided by Accountant);
- revenues collected compared with budget (provided by Accountant);
- projected year-end revenues and expenditures;
- accounts receivable;
- outstanding grant reimbursements; and
- significant projected variances.

This would allow revenue shortfalls and expenditure pressures to be identified during the year rather than after June 30.

6. Central finance review before major capital commitments

Before the Airport Commission commits to a significant grant-funded capital project, the Town Administrator, Town Accountant and Treasurer should review the project's financial structure.

The review should include:

- total project cost;
- federal and state participation;
- required local match;
- anticipated reimbursement schedule;
- interim cash-flow requirements;
- availability of local funding; and
- financial consequences if reimbursement is delayed.

This review would not substitute central Town officials for the Airport Commission in determining aviation priorities. Its purpose would be to ensure that the Town understands and can support the financing arrangement before expenditures are incurred.

7. Revenue monitoring and corrective action

Airport revenues should be monitored against adopted estimates throughout the fiscal year.

If projected revenues fall materially below budget, the Airport Manager should provide a corrective-action plan identifying the projected shortfall and potential expenditure reductions, additional revenues, available Airport resources or requested Town support.

The objective should be to avoid using optimistic revenue assumptions to balance the Airport budget when prior experience suggests those revenues may not materialize.

8. Annual identification of the municipal subsidy

It may not be realistic for a small general-aviation airport to recover all operating and capital costs solely from airport-generated revenues. If Town support is necessary, it should be explicit.

The annual budget should therefore clearly identify:

- expected Airport-generated revenue;
- anticipated operating expenses;
- capital and grant-match requirements; and
- any anticipated Town subsidy.

A deliberate, appropriated subsidy is fundamentally different from an unanticipated year-end deficit resulting from revenue shortfalls or unrealized grant reimbursements.

9. Five-year capital plan

The Airport should maintain a rolling five-year capital plan showing:

- proposed capital projects;
- anticipated FAA and MassDOT participation;
- required local matches; and
- anticipated cash-flow requirements.

This forecast should be shared with the town financial team and incorporated into the Town's broader capital planning process.

10. Quarterly Selectboard review

The Airport Commission and Airport Manager should appear before the Selectboard at least quarterly to review:

- financial performance;
- grant reimbursement status;
- capital projects;
- revenue projections;
- major leases and agreements; and
- any anticipated need for additional Town support.

The purpose should be routine accountability and communication rather than intervention only after a financial problem develops.

Nantucket as a Massachusetts Example

Nantucket provides a particularly relevant Massachusetts example.

In a 2012 Financial Management Review, the Division of Local Services examined serious financial problems involving Nantucket Memorial Airport, which operated as an enterprise fund under a separate Airport Commission appointed by the Select Board.

DLS found that Airport capital expenditures had not been financed appropriately and that the Town ultimately had to subsidize Airport deficits through transfers from unspent bond proceeds and General Fund revenues. DLS attributed the problems in part to deficiencies in accounting and financial controls and inadequate communication between Airport and Town personnel.

DLS specifically observed that Town officials arguably should have done more to compel the Airport to comply with established municipal financial procedures.

Nantucket's response did not require elimination of its Airport Commission. Instead, the Select Board and Airport Commission moved toward a memorandum of understanding addressing the Airport's financial obligations to the Town, additional quarterly financial reporting, and stronger internal controls within the Town finance operation.

The lesson for Montague is that statutory Airport Commission authority is compatible with significantly stronger central municipal financial oversight.

Recommended Implementation

I recommend proceeding in two phases.

Phase I – Immediate Grant Reconciliation

The Town Administrator, Town Accountant, Treasurer, Airport Manager and Airport grant consultant should conduct a comprehensive review of the existing approximately \$600,000 reimbursement backlog and present the Selectboard with a project-by-project reconciliation.

The objective should be to determine precisely what portion represents ordinary timing, what portion can be collected immediately, what portion requires additional documentation or closeout, and whether any amount may ultimately fall to the Town.

Phase II – Permanent Oversight Framework

Following that reconciliation, the Selectboard and Airport Commission should adopt a formal Airport Financial Oversight MOU incorporating the controls described above.

The proposed model would preserve the Airport Commission's statutory management authority while recognizing that the Town cannot permit significant Airport financial exposures to develop outside its normal financial-management systems.

The central principle should be straightforward: **if the Town ultimately bears the financial risk of Airport operations and capital projects, central Town management must have timely visibility into that risk and effective controls to manage it.**

The Selectboard and Airport Commission should also consider options for increasing administrative staff capacity for the airport.