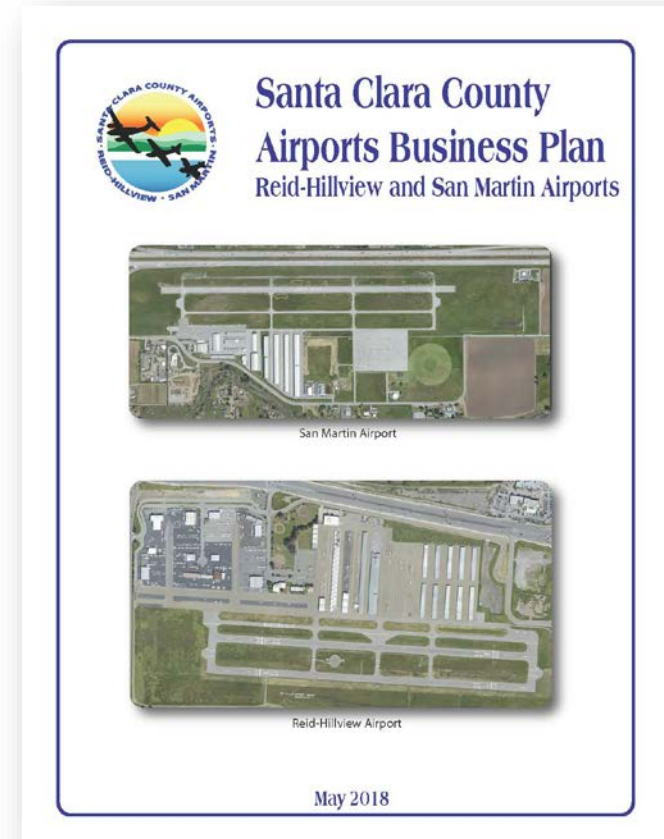


County Airports Business Plan Update

Housing, Land Use, Environment and
Transportation Committee

September 17, 2018

Item #3



www.countyairports.org



Agenda

1. Introduction
2. Scope of Business Plan
3. Background
4. Proposed New Plan
 1. Key Components
 2. FBO Development
 3. Property Release
 4. Facility Needs
 5. Grants
5. Staff Recommendation & Options



The Business Challenge

- Costs are increasing faster than revenue
 - Less aircraft storage though more flights
- Staffing has declined
 - Currently 9 positions
- Leases are due for renewal
 - RHV leases up in 2021 SM in 2020
- Maintenance is poor
 - Airfield and facilities



Scope of Business Plan

1. Perform Analysis of Airport Enterprise Fund Overall and Finances of Each Individual Airport
2. Define interrelationship between Airport Enterprise Fund Operating and Capital Budget
3. Identify Revenue Stream
Diversification, New Revenue Opportunities, Cost Savings Measures
4. Examine and Update Schedule of Fees and Charges



Scope of Business Plan

5. Determine Re-Lease Strategy for FBO Leaseholds
6. Determine Viability of Non-Aviation Commercial Development
7. Create Long-Range Maintenance Plan for Airports Infrastructure
8. Determine Role of Federal Airport Improvement Program (AIP) Grants to Fund Capital Improvements
9. Board of Supervisors to approve updated Business Plan



Reid-Hillview Background

- Originally opened 1939 as Reid's Hillview Airport
- County purchased 1961
- Approximately 475 based aircraft
- 2017 Annual Operations, 163,000
- 1978 Annual Operations, 395,000



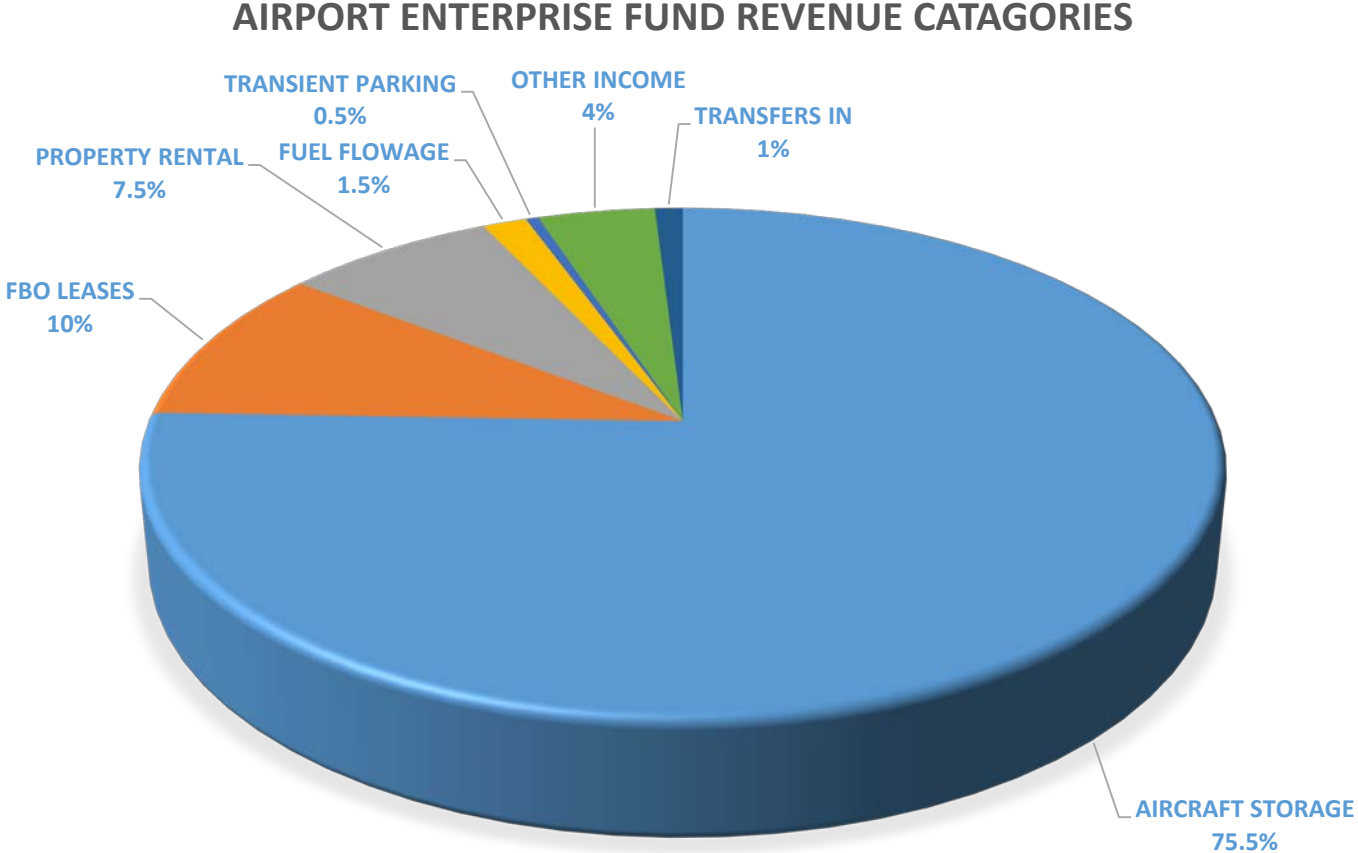
San Martin Background

- Constructed by the County
- Opened in 1972
- Approximately 150 based aircraft
- 2017 Annual Operations, 32,000
- 1997 Annual Operations, 60,000



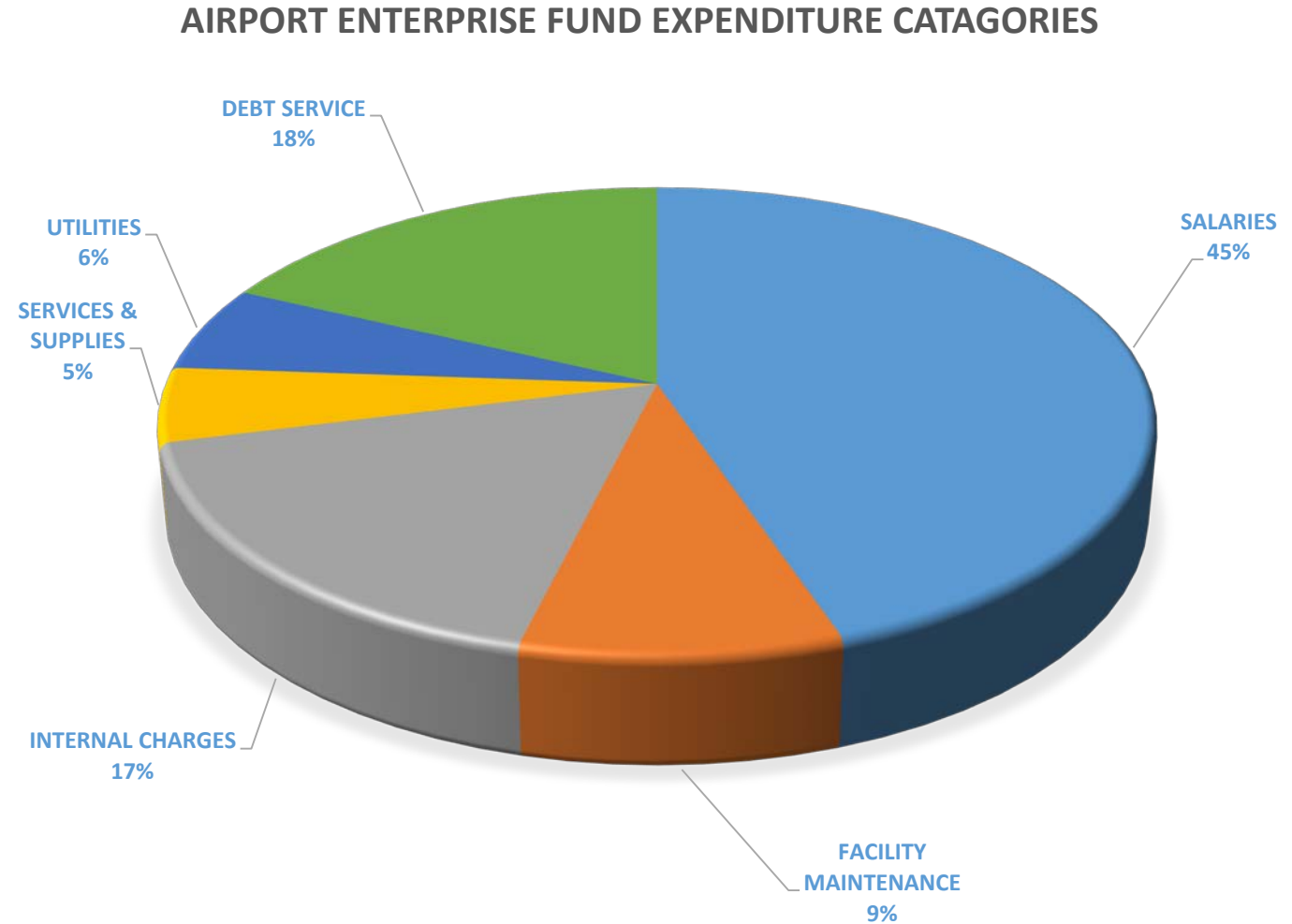
Revenues

- Annual Budget \$2.7 Million
- Aircraft storage 75%
- FBO leases 10%
- Rental income 7.5%



Expenses

- Salaries & Benefits 45%
- Debt Payments 18%
 - Pavement loan
 - SM Hanger loan
- County Services 17%
- Facility Maintenance 9%



The Plan

- Increase revenue
 - Non-aviation use, community benefiting parcels, FBO, solar, fees
- Increase maintenance
 - 10 year improvement plan \$20 million
- Accept AIP grants
 - Last grant accepted in 2011
 - Limited to airfield improvements



Increase Revenue - Non-Aviation Use

- County Airports have excess land
- Strategy is to monetize
- Common strategy for GA airports
- FAA must authorize non-aviation use
 - Property Release
- Six parcels at RHV, two at SM
- Expected to take several years, RFP, lease negotiation, land use approvals, construction



SJPD Ride Along
July 3, 2018
Eric Peters

Increase Revenue - Community Benefitting Uses

- Eastridge Little League (RHV)
- Lions Club (SM)
- Not market rate - not appropriate for Enterprise fund
- Do not recommend removing either use
- Recommend appropriate funding be developed through the budget process



Increase Revenue - RHV FBO

- Current leaseholds expire December 2021
- Reduce number of leaseholds
- Provide full-service transient services
- Maintain competitiveness services
- Use property more efficiently
- Improve quality of the buildings and grounds
- Free up new non-aviation parcel and ramp space



Increase revenue - RHV FBO

- More coherent land use
- Eliminate cul-de-sacs
- New leaseholds have direct runway frontage
- Reclaim ramp space and aircraft operations area



RHV FBO Layout



Current

9 Leaseholds, 1.1 – 2.7 acres (17.8 acres)



Recommended

2 Leaseholds, 7.0 acres each (14.0 acres)

Increase Revenue - SM FBO

- Current leasehold expires Dec. 2020
- Lease maintenance hangar, office space, and ramp area to a SASO
- County assumes management of individual hangars on current FBO property
- County assumes management of self-fueling island



Revenue Parcels Layout

Private Use

| | |
|----|--------------------------|
| 1. | RHV Tully /Capitol Lease |
| 3. | RHV Swift Ave. Lease |
| 4. | RHV Laydown Yard Lease |
| 5. | RHV NE Corner Lease |
| 6. | RHV FBO Lease |
| 7. | RHV Fuel Sales |
| 8. | RHV/SM Solar Farm |
| 9. | SM FBO Lease/Hangars |

Community Benefiting

| | |
|-----|-----------------------------------|
| 2. | RHV Little League (Reimbursement) |
| 10. | SM Lions Club (Reimbursement) |



Increase Revenue - Fees

- Decrease fees
- Decrease vacancy rate
- Increase overall revenue
- Santa Clara County is higher than many local airports
- Reducing SM hangar rates
- Reducing all tie-down rates

Schedule of Fees and Charges for Santa Clara County Airports

On each July first of every year, all rates in Section A. "County Based Aircraft", Section B. "Non-Based Aircraft" and Section C. "Other Charges" for the ensuing twelve (12) months shall be adjusted upward in the same percentage proportion that the Consumer Price Index of the San Francisco-Oakland area of the United States Department of Labor, Bureau of Labor Statistics, increases over the Consumer Price Index of December 2014. In the case of a CPI decrease the rates will remain the same.

All fees are rounded to the nearest fifty cents (\$.50).

All aircraft weights referenced in this document are defined by the aircraft manufacture and/or the Federal Aviation Administration (FAA) as the certified maximum gross take-off weight.

A. County-Based Aircraft

| <u>Tail-In Open Tie-Down, improved pavement</u> | <u>RHV Monthly Rate</u> | <u>E16 Monthly Rate</u> |
|---|-------------------------|-------------------------|
| 0 to 3,500 pounds | \$148.50 A1 | \$106.50 A5 |
| 3,501 to 5,200 pounds | \$172.50 A2 | \$123.50 A6 |
| 5,201 to 10,200 pounds | \$194.50 A3 | \$139.00 A7 |
| 10,201 to 17,000 pounds | \$216.50 A4 | \$155.50 A8 |
| <u>Tail-In Open Tie-Down, unimproved pavement</u> | | |
| 0 to 3,500 pounds | \$112.00 B1 | \$81.00 B5 |
| 3,501 to 5,200 pounds | \$127.00 B2 | \$91.00 B6 |
| 5,201 to 10,200 pounds | \$143.00 B3 | \$102.50 B7 |
| 10,201 to 17,000 pounds | \$159.00 B4 | \$113.50 B8 |
| <u>Taxi-In Open Tie-Down, improved pavement</u> | | |
| 0 to 3,500 pounds | \$186.50 C1 | \$134.00 C5 |
| 3,501 to 5,200 pounds | \$231.00 C2 | \$165.50 C6 |
| 5,201 to 10,200 pounds | \$321.00 C3 | \$229.50 C7 |
| 10,201 to 17,000 pounds | \$339.00 C4 | \$272.00 C8 |
| Large aircraft only designated tie-downs | \$339.00 C13 | \$272.00 C15 |
| Helicopter tie-downs | \$339.00 C14 | \$272.00 C16 |
| <u>Taxi-In Open Tie-Down, unimproved pavement</u> | | |
| 0 to 3,500 pounds | \$148.50 D1 | \$106.50 D5 |
| 3,501 to 5,200 pounds | \$187.50 D2 | \$134.00 D6 |
| 5,201 to 10,200 pounds | \$269.00 D3 | \$191.50 D7 |
| 10,201 to 17,000 pounds | \$323.00 D4 | \$230.50 D8 |
| <u>Shelters</u> | | |
| 0 to 3,500 pounds | \$299.00 E1 | N/A |
| 3,501 to 5,200 pounds | \$336.00 E2 | N/A |
| 5,201 to 10,200 pounds | \$374.00 E3 | N/A |

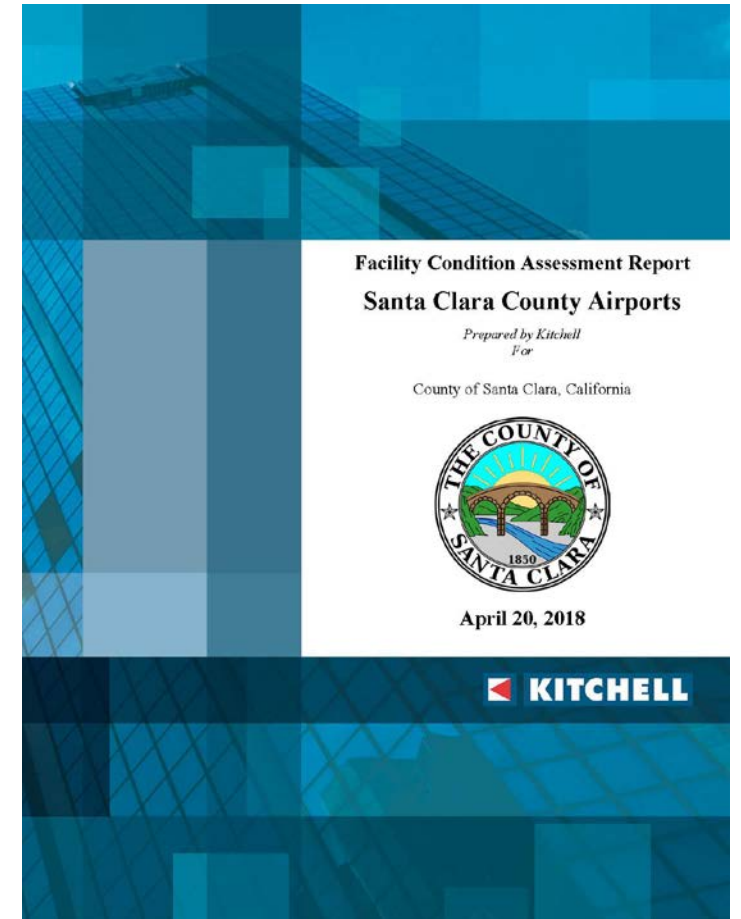
Increase Maintenance - Airfield

| Grant Eligible Capitol Projects | Needed 1-10 yrs |
|--|-----------------|
| ALP Update, Pavement Management System | \$595,000 |
| Perimeter Fencing Rehabilitation | \$960,000 |
| RHV Safety Area Enhancements | \$2,500,000 |
| SM Access Road | \$720,000 |
| SM Backup Power Generator | \$110,000 |
| SM & RHV Parking Ramp Rehabilitation and Runway and Taxiway Rehabilitation | \$6,800,000 |
| | \$11,685,000 |



Increase Maintenance - Facilities

- Includes
 - RHV Terminal Building
 - RHV Swift Ave Building
 - SM County Owned Hangars
- Does not Include
 - RHV Hangers
 - RHV FBO's
 - SM Private Hangers
- Identified \$9.8 Million over ten years



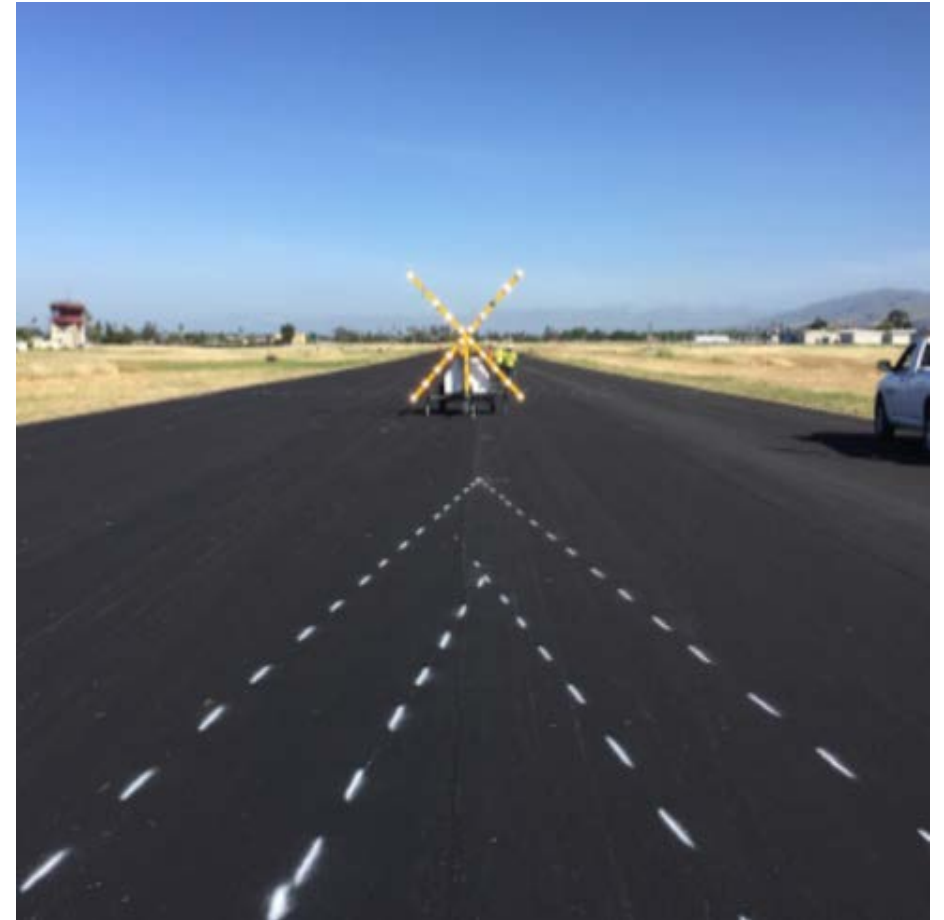
Grants

- Majority of eligible airports take grants
- Used to improve airfield
- Last grants issued to the County in 2011
- Grants obligate the County to conform to Federal rules



Grants

- Entitlement grant funding
 - Up to \$150,000 per airport per year
 - Reimbursement of eligible projects
- Discretionary grant funding requests compete with other airports projects
- Up to 95% of project costs eligible



Grant Assurances

- Grant assurances last 20 years
 - Current assurances expire in 2031
- long-term requirements for operation of airport - Operate to FAA standards
- Without grant obligations the County **may** gain more local control



Grant Risks

- 20 Year Obligation
- Required to keep operating
- Required to follow FAA regulations



ANCA– Further Restricts Local Control

Airport Noise and Capacity Act of 1990

- FAA retains control over creation of all access restrictions at public use airports **regardless of grant status**



Staff Recommendation

1. Approve Business Plan Update
2. Accept \$1.2 million in FAA AIP Grants to begin repayment of \$3.0 million loan from General Fund
3. Apply for additional Federal and State grants for the improvement of airport infrastructure
4. Apply for property releases from the FAA
5. Prepare RFP for FBO property

Alternative

1. Approve Business Plan
2. Adopt a policy to not accept grants for RHV
3. Accept grant funding for San Martin to repay loan
4. Apply for property releases
5. Renegotiate existing leaseholds - to the extent possible

Outreach and Coordination

| | |
|----------------|---|
| November 2017 | Airport Commission HLUET |
| December 2017 | Airport Commission Board of Supervisors |
| January 2018 | RHV Leaseholders SM Stakeholders |
| February 2018 | RHV Stakeholders |
| March 2018 | RHV Stakeholders |
| May 2018 | Airport Commission RHV Stakeholders SM Stakeholders |
| September 2018 | Airport Commission X2 |

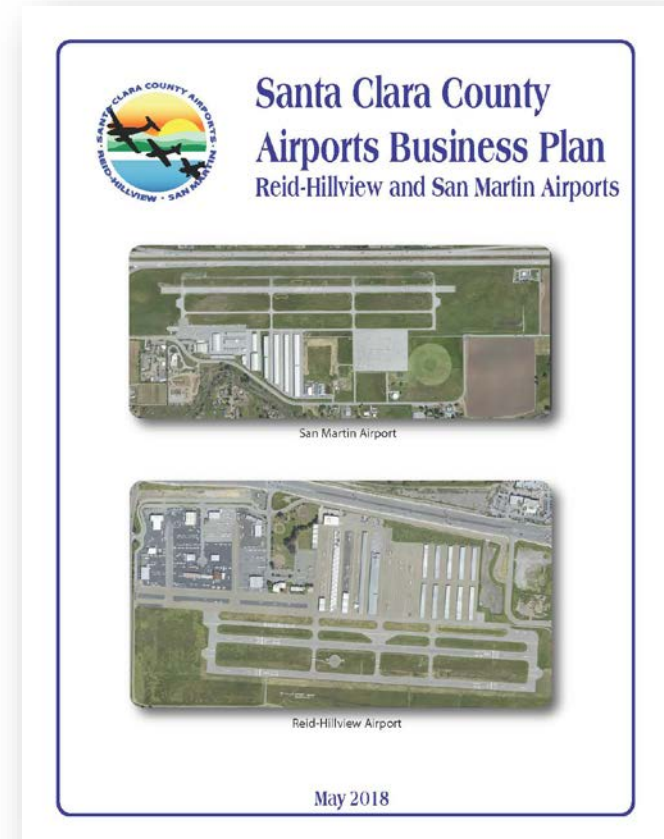


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