

County of Santa Clara
Roads and Airports Department



88994

DATE: November 16, 2017

TO: Housing, Land Use, Environment, and Transportation Committee (HLUET)

FROM: Harry Freitas, Director, Roads and Airports

SUBJECT: Business Plan Update for Reid Hillview and San Martin Airports

RECOMMENDED ACTION

Receive report from Roads and Airports Department relating to Business Plans for Reid-Hillview and San Martin Airports.

COMMITTEE RECOMMENDATIONS

Accept report from Roads and Airports Department regarding process to complete an update to the Business Plans for Reid-Hillview and San Martin airports.

FISCAL IMPLICATIONS

There is no fiscal impact to the General Fund. There is a cost of up to \$75,000 to the Airport Enterprise Fund (AEF).

CONTRACT HISTORY

None

REASONS FOR RECOMMENDATION

At the May 9th, 2017 Board of Supervisors meeting, staff received direction to develop a work plan to update the Business Plans for the Reid Hillview and San Martin Airports. Staff was to deliver a funding plan, scope and schedule for new business plans to the Board of Supervisors for approval.

CHILD IMPACT

The recommended action will have no/neutral impact on children and youth.

SENIOR IMPACT

The recommended action will have no/neutral impact on seniors.

SUSTAINABILITY IMPLICATIONS

The recommended action will have no/neutral sustainability implications.

BACKGROUND

The current Business Plans for Reid-Hillview Airport and San Martin Airport were published in 2006. Since that time there have been many changes within the county airports system, including the divestiture of the Palo Alto Airport, a marked decrease in the quantity of based aircraft, changes in pilot demographics, and the upcoming expiration of all long-term FBO leases at Reid Hillview (RHV) and San Martin Airport (E16). With these changes comes a need to re-evaluate the Business Plan for both airports.

On November 7th, 2017, staff will present this item to the Airports Commission. A supplemental memorandum summarizing the discussion will be prepared.

Scope of Work

The updated business plan will include the following scope:

1. Perform an analysis of the Airport Enterprise Fund overall and the finances of each individual airport. This will include trend analysis of expenses and income along with airport operations statistics for the past ten-year period. This information will be used to establish how the existing business operates, and how that affects income and expenses.
2. Examine the interrelationship between the Airport Enterprise Fund (AEF) operating budget and capital budget. This will involve a review of past capital expenditures and their funding sources including both federal grant funds and local match along with a review of future capital needs and the AEF capability to fund them. The report will also analyze how a capital investment plan may affect future operating costs. The development of the future capital investment plan will require a more in-depth review of current facilities and projection of capital improvements along with airfield configuration changes necessary to meet Federal Aviation Administration guidelines for airport design. For the purposes of this business plan, staff anticipates a cursory evaluation of the future investment plan.
3. Identify ways to diversify the airports' existing revenue stream as well as identify new revenue opportunities and potential cost-saving measures. This is an analysis of all current revenue streams that fund the AEF. This will also identify current and future capital and operating expense trends as well as opportunities to reduce expenses. All airport properties will be appraised for lease value in an effort to identify strategies to increase revenues on an ongoing basis.
4. Reexamining the airports' Schedule of Fees and Charges and recommending changes accordingly. This task will include a benchmarking of the fees charged by other Bay Area airports to compare with Santa Clara County airports. Staff will meet with airport stakeholders to obtain their input on the current fee schedule and take input on potential changes. This analysis will result in a new recommended fee schedule. It also may result in new fee categories and possible elimination of other fees.

5. Determine the optimal re-lease strategy for the airports' FBO leaseholders. This will require a market study on the optimal number of FBO's, which will include a review of the mix and quantity of aircraft based at RHV and E16 and a review of airport operation statistics. An additional study of the aircraft mix currently utilizing Bay Area airports and the capability of those aircraft to use County Airports will be undertaken to help determine the type of services that the future FBOs' should provide. Outreach to current airport stakeholders will also garner input on their needs for future airport FBO services.

6. Determining the optimal leasing strategy for the areas identified in the RHV Master Plan for non-aviation commercial development. This analysis will evaluate the current encumbrances and property restrictions associated with development on or near the airports while also considering the community desirability and impact of any non-aviation development.

7. Developing a long-range maintenance plan for the airports infrastructure, including associated cost estimates. Staff will consult with a professional engineering firm to evaluate current airport infrastructure and develop a report on anticipated repairs and improvements needed over the next ten years, including estimated costs. Staff will meet with airport users to help prioritize those needs to best continue the safe operation of the airports and meet the user's needs. A cost and time estimate is still being developed.

8. Determine the appropriate role of the federal Airport Improvement Program (AIP) grants to fund capital improvements identified in the airports' Masterplans. A report will be generated detailing the anticipated maintenance and capital needs and costs for Reid-Hillview and San Martin over the next ten years through steps 2 and 6 above. Steps 1, 3 and 4 will detail existing funding sources which must be analyzed in conjunction with a review of the advantages and disadvantages associated with accepting AIP grant funding from the Federal Aviation Administration. This report will be brought to the Board of Supervisors through the Airports Commission to provide an opportunity for airport users and the community to provide input.

9. Synthesizing the above work product into comprehensive, updated Business Plan for the airports going forward. This will require creating the updated Business Plans. The report can be completed and submitted through the Airports Commission and HLUET to the Board. This process is anticipated to take four to six months.

Upon completion the updated business plans will be brought to the Board of Supervisors for approval. The new updated business plans will then serve as a foundational element for future policy decisions regarding the Airports business operating model. Issues such as capital improvements, public and private development, use of excess lands, AEF fiscal health, and business growth will all be evaluated in light of the findings in the new, updated business plans.

Public Outreach

Outreach is an important part of the development of the updated Business Plans. There are several opportunities through the process outlined above for the community and airport users to provide input during the development of the new, updated business plan. A series of regular, periodic community and stakeholder check-in meetings will be held at times convenient to the public and at locations that are easily accessible. The draft report will be circulated to interested parties with enough time for review prior to presentation to boards or commissions for approval.

In addition, staff proposed to incorporate stakeholder input through the Airports Commission regular meetings. A calendar detailing dates and times of proposed meetings will be generated and posted once a schedule for completing the business plan update has been finalized.

Cost and Schedule

The report will be prepared in-house by county staff with supplemental work prepared by a real estate appraisal company. Staff anticipates hiring the former Director of Roads and Airports for extra help in preparing the report. Once work is started, the report should take approximately four to six months to prepare. The cost will be approximately \$75,000 and will be borne by the Airport Enterprise Fund.

Staff will take this report, along with any comments provided by the Airports Commission, to the Board of Supervisors on December 5th, 2017.

LINKS:

- Linked From: 89204 : Receive report from the Housing, Land Use, Environment, and Transportation Committee relating to the meeting of November 16, 2017. (Cortese)

ATTACHMENTS:

- HLUET Supplemental Information 11-16-17 Final (PDF)
- public comment (PDF)

County of Santa Clara

Roads and Airports Department

101 Skyport Drive
San Jose, California 95110-1302
1-408-573-2400



DATE: November 16, 2017

TO: Housing, Land Use, Environment and Transportation Committee

FROM: Harry Freitas, Director, Roads and Airports

SUBJECT: Supplemental Information to the Business Plan Update for Reid Hillview and San Martin Airports

On November 7th the Airports Commission received a staff report regarding the plan to update the business plans for the County Airports. Public comment from seven members of the public was received along with comments from Airports Commissioners.

Commissioners' comments are summarized below:

- Commissioner Carr stated that without a competitive process it was not possible to determine if Mr. Murdter had the necessary background and experience to do the study.
- Commissioner Miller requested a detailed breakdown of the \$75,000 cost estimate for the work.
- Commissioner Donahue asked for a specific schedule including a start and end date. He also expressed concerns about the cursory nature of the evaluation of the future investment plan.

Seven members of the public spoke on the issue. Five of the seven speakers expressed reservations about hiring Mr. Murdter. Three of the seven speakers recommended hiring an outside consultant. The concerns about Mr. Murdter focused on his failure to apply for FAA Airport Improvement Program grants, potential conflict of interest, and a perception of a preordained outcome.

At the conclusion of the discussion the Airports Commission unanimously made the following recommendation to the Board of Supervisors.

"Recommend to the BOS to use professional consultants in lieu of Michael Murdter." Moved by: Carr and seconded by Miller. Note: Graham clarified the Commission cannot make a motion because the agenda item was to receive the report.

REQUEST TO SPEAK FORM

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If you wish to address the Board, Committee, or Commission, please fill out this form and place it in the container provided.

DATE: 11/16

AGENDA ITEM NO. 6

For Issue Against Issue Neutral * Written comments for the record only

NAME (OPTIONAL): WALTER GYGER Decline to State

PLEASE PRINT CLEARLY

ORGANIZATION (OPTIONAL): Reid-Hillview Airport Tenant

PLEASE PRINT CLEARLY

ADDRESS (OPTIONAL): _____

PLEASE PRINT

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DATE: 11/16/17

AGENDA ITEM NO. 6

For Issue Against Issue Neutral * Written comments for the record only

NAME (OPTIONAL): Scott Rohlfing Decline to State

PLEASE PRINT CLEARLY

ORGANIZATION (OPTIONAL): _____

PLEASE PRINT CLEARLY

ADDRESS (OPTIONAL): _____

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DATE: 11-16-17

AGENDA ITEM NO. 6

For Issue Against Issue Neutral

NAME (OPTIONAL): Anissa Mohler

Written comments for the record only

PLEASE PRINT CLEARLY

Decline to State

ORGANIZATION (OPTIONAL): _____

PLEASE PRINT CLEARLY

ADDRESS (OPTIONAL): _____

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DATE: Nov 15 2017

For Issue

Against Issue

Neutral

AGENDA ITEM NO. 6

* Written comments for the record only

NAME (OPTIONAL): Paul Marshall

PLEASE PRINT CLEARLY

Decline to State

ORGANIZATION (OPTIONAL): California Pilot Association, South Coast Airport Pilot Ass'n

PLEASE PRINT CLEARLY

ADDRESS (OPTIONAL): _____

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DATE: 11/16/17

For Issue Against Issue Neutral

AGENDA ITEM NO. 6

NAME (OPTIONAL): Josh Watson

* Written comments for the record only

ORGANIZATION (OPTIONAL): _____

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Decline to State

ADDRESS (OPTIONAL): _____

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DATE: 11-16-17

For Issue Against Issue Neutral

AGENDA ITEM NO. 6

NAME (OPTIONAL): JULIA MILLER

* Written comments for the record only Decline to State

ORGANIZATION (OPTIONAL): _____
PLEASE PRINT CLEARLY

ADDRESS (OPTIONAL): 1611 NEW BRUNSWICK AVE SUNNYVALE 94087
PLEASE PRINT CLEARLY

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DATE: 11/15/2017

For Issue Against Issue Neutral

AGENDA ITEM NO. 6

* Written comments for the record only
Decline to State

NAME (OPTIONAL): PAUL DONAHUE
PLEASE PRINT CLEARLY

ORGANIZATION (OPTIONAL): _____
PLEASE PRINT CLEARLY

ADDRESS (OPTIONAL): _____
PLEASE PRINT

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DATE: 11-16-17

For Issue

Against Issue

Neutral

AGENDA ITEM NO. 6

* Written comments for the record only

NAME (OPTIONAL): JOHN CARR

Decline to State

PLEASE PRINT CLEARLY

ORGANIZATION (OPTIONAL): AIRPORT Commission

PLEASE PRINT CLEARLY

ADDRESS (OPTIONAL): _____

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