Attachment 1: Volaire – Strategic Plan

VOLAIRE
AVIATION

STRATEGIC PLAN

HUMBOLDT COUNTY AIRPORTS DIVISION

COUNTY OF HUMBOLDT
The Home of the Redwoods

VOLAIRE
AVIATION CONSULTING

December 2017

REPORT CONTENTS

PURPOSE OF THIS REPORT

This report represents the culmination of more than eight months of research and investigation into the structure, performance, and perceptions of the Humboldt County Airport System. It is designed to explain the key findings of Volaire Aviation consultants and develop a list of key recommendations to position the Airport System for growth and prosperity. This report also lays out the future vision, mission, and core values of the Airport System.

> "EACH RECOMMENDATION IS DESIGNED TO BE ACTIONABLE UPON DIRECTION OF THE HUMBOLDT COUNTY BOARD OF SUPERVISORS."

This final report will not contain specific detail behind each finding and each recommendation. The research supporting the findings and recommendations is included in four previous documents prepared as part of the overall project: the June 61-page report entitled Humboldt County Airports *Financial Analysis*; the July 78-page report entitled Humboldt County Airports *Governance Structure Analysis*; the August 72-page report entitled Humboldt County Airports *Strategic Initiatives*; and the October 75-page report entitled Humboldt County Airports *Strategic Marketing Plan*. The combined 286-pages of content in those reports stands on its own, and those pages represent a critical piece to the overall methodology behind the findings and recommendations in this report.

While the findings of the consultants authoring this report are, in most cases, facts about the Airport System as it operates at the writing of the report, the key recommendations are action items the authors believe are supported by the findings of fact. Each recommendation is designed to be actionable upon direction of the Humboldt County Board of Supervisors. The financial impact of some of the recommendations is clear, while much more work will need to be completed before the financial impact of others is fully clear. This report

recommends certain strategic options without a fully-vetted financial plan in order for work to commence quickly, and to avoid unnecessary delays in improving the operation of the Airport System.

The research compiled during the course of study for this collection of reports has uncovered challenges in the Airport System, but the vast majority can be fixed through the recommendations in this final report. Some of the challenges are structural, while some challenges are financial, and can be remedied through projects already commenced by current Airport System and County management, while others are cultural and will have to be addressed over a longer period of time.

The Humboldt County Airport System is a key economic asset not only for the County, but also for a myriad of businesses throughout northern California. However, there has been a backlog of maintenance, airports in poor repair, and an unclear chain-of-command. These items can all be fixed. This report, and the four other documents supporting the conclusions written in the strategic plan, represent the first step in rectifying Airport System challenges.

VISION, MISSION, AND CORE VALUES

Every business must have a vision for what it strives to be, a mission that it works to accomplish on a daily basis, and a set of core values by which it operates. To develop a new vision, mission, and set of values for the Airport System, key stakeholders were gathered, on site, at the Humboldt County Courthouse to work through the mission and vision and to develop a set of core values that would drive the system's future. In this session, the mission and vision were not written, but were fully defined.

Volaire Aviation consultants then wrote multiple vision and mission statement options, along with a set of core values and a core value statement. These options were vetted by the Humboldt County Airport Advisory Committee at an in-person, public meeting in November of 2017. Following this meeting, the Advisory Committee formally recommended a vision and mission statement for the County's adoption.

AIRPORT SYSTEM VISION STATEMENT

The vision statement of an organization is its statement of what that organization wants to become. Vision statements are future-looking declarations of an organization's purpose for existing and aspirations. In addition to goals for the system's mission, the Airport System stakeholder group also developed ideas as to what should be included in the system's vision statement. It should be noted the system has no current vision statement.

The group suggested several ideas for inclusion in a vision statement, including:

> An economic driver that improves the health and safety of the region

> Easy to work with

> Safe

> Economic growth

> Easy to get from A to B

> Gateway to possibility

> Access point in emergencies

The vision statement is designed to be concise, much like the mission statement, but also to set a forward-looking tone. Based on these core components, the Humboldt County Airport Advisory Committee recommended the following vision statement be adopted for the Airport System:

The people of the Humboldt County Airport System work tirelessly to ensure its position as

the gateway to possibility for an entire region.

AIRPORT SYSTEM MISSION STATEMENT

The mission statement of an organization is its reason for being. It defines how that organization will aim to serve all of its diverse stakeholders. In other words, the mission must define who the Airport System is today and what the Airport System values.

The current mission statement seeks to do this, but it lacks a focus on what should be a business or enterprise mentality of the Airport System. While it is true the system is a public service, first and foremost, it is also designed to run as a breakeven enterprise. The current mission reads:

> "The aviation division is responsible for managing six county airports in a manner that ensures aeronautical safety, safety of the traveling public, continued air service, and complies with federal, state and/or local aviation rules, regulations and advisories."

The stakeholder group felt the mission was too much a statement of system tasks and not aspirational enough. The group also felt the mission statement should cover those in the County who have little day-to-day interaction with the airports in a way that would help them understand the importance of the airports. The group suggested a number of ideas for inclusion in a new mission statement, including:

> "More than just an airport"
> Financially viable, self-sustaining, business-like
> Community partner/leader
> Integral part of the community/region
> Safe
> Financially innovative
> Ambitious/relentless
> Foster economic development
> Looking to the future

With these ideas in mind, a new mission statement was written. It was designed to be clear, concise, and easy to remember, while incorporating as many of the stakeholder group's ideas as possible. The Humboldt County Airport Advisory Committee recommended the following mission statement be adopted for the Airport System:

We are relentlessly driven to be a leading regional transportation system, focused on connecting our community to global opportunity.

AIRPORT SYSTEM CORE VALUES

Core values are designed to be the elements that support both the mission and vision of an organization. Core values are the beliefs of the organization in which the organization is emotionally invested. Core values are also designed to lay out how an organization treats people – both employees and customers – and how an organization does business. The Airport System stakeholder group chose the following core values:

> Striving for excellence
> Future-focused
> Safe
> Secure
> Compliant
> Convenient
> Working for the public benefit
> Ethical
> Community partner
> Customer-focused
> Responsive
> Accessible

> Pro-active
> Community leaders

Core Value Statement:

The people of the Humboldt County Airport System strive for excellence in safety, security, and convenience, with their ethical, responsive, and future-focused spirit, as they work to lead the community through a customer-focused approach.

Together, the mission, vision, and core values of the Humboldt County Airport System will help to set expectations and guide thinking about future strategic business options. They also provide a clear indication to employees of expectations.

It is recommended the Humboldt County Board of Supervisors adopt the vision statement, mission statement, and core values statement that have been endorsed by the Airport Advisory Committee.

KEY FINDINGS

Through the course of research during 2017 on-site, in Humboldt County, Volaire Aviation consultants interviewed more than 30 people associated with the Airport System, reviewed multiple years of budget data, reviewed historical passenger and air cargo data dating back to 1990, and reviewed operations data for each airport in the system dating back to 2000.

Through this discovery, consultants highlighted key pieces of information in the previous four reports included in this project. The first report detailed the financial status of the Airport System. The second report detailed Airports governance with research on all other similarly-situated airports in California. The third report detailed strategic business options for consideration. The fourth report detailed brand perceptions and knowledge in the region and laid out a strategic marketing plan.

"THIS SECTION OF THIS REPORT SUMMARIZES THE KEY FINDINGS FROM EACH PORTION OF RESEARCH AND DISCOVERY."

This section of this report summarizes the key findings from each portion of research and discovery. The following section will detail key recommendations and action items stemming from these findings.

Findings are organized into three sections: those having to do with governance of the Airport System; those relating to business strategy and finance; and those dealing with brand and marketing strategy.

Humboldt County is fortunate to have six strategically located airports with strong employees, a good reputation with the Federal Aviation Administration (FAA), and that the airports are well positioned to serve the County's residents. At the same time, several of the County's airports have major facility challenges, the system has

inadequate staffing, and factors in the County's control, such as property management, are not always kept up to date.

The Airport System as a whole has several opportunities, including the ability to potentially generate revenue through new lease rates, through new and expanded facilities, and through a review of the role of each airport within the system. The system also faces a number of external threats including Coastal Commission regulations on and near some airports, development encroaching near airports, community impressions, outside budgets, and service at other airports in the region.

KEY GOVERNANCE FINDINGS

Humboldt County is unique in the State of California. It is one of just two airport systems with commercial service in the entire State, which features 26 commercial service airports – more than any other state – that is a sub-division of another department. There are several other general aviation airports within public works in California, but those do not have passenger airline service. The Airport System in Humboldt County is a sub-division of the Public Works Department. The Airport System is the only enterprise fund within Public Works.

Most notably, the Airport System has been without a professional airports manager since 2013. This is an exceptionally long time for an enterprise fund to be without a senior, experienced leader. The System is being run by the Public Works Director and the System staff, but the Public Works Director has many sub-departments to oversee and limited time to devote to the Airports System.

The System is extremely thin-staffed. It has just 12 employees to run six airports that are spread over an 82-mile area. Subsequently, most staff time is spent at the largest of the County's airports, Arcata-Eureka Airport (ACV), which has commercial passenger airline service. The other airports in the system get little attention and most of those interviewed, as part of the research for this project, report that all are in poor states of repair.

Without a professional airports manager overseeing the staff, employees of the System and tenants report there is an unclear chain of command. No one appears to know affirmatively who is the decision maker for airport issues. Tenants, in particular, say the lack of leadership causes many projects to take much longer than they should and some have expressed frustration at doing business with the County because of the situation.

As a result of being so short staffed, the Airport System spends more than $250,000 per year to pay for extra staff time from Public Works Department employees. While some of this expense is necessary due to the specific expertise of Public Works staff, much of it pays for functions the Airport System used to handle itself, such as the maintenance of airport vehicles, which the Airport System staff does not have time to maintain, itself.

> "ANOTHER CHALLENGE THAT IS DERIVED FROM INADEQUATE STAFFING IS LIMITED STRATEGIC PLANNING AND BUSINESS FOCUS."

Another challenge that is derived from inadequate staffing is limited strategic planning and business focus. The Airport System, and its people, have been doing all they can to keep all six airports operational, but with such little available staff time, and no professional manager, strategic options for future profitability have not been a focus.

That is not to say the current leadership at Public Works and the current Airport System staff have not been performing their jobs well. With the challenges in management structure, breadth of responsibility across the Airport System, and so many tenants with differing needs to serve, the current management and staff has done an enviable job of keeping the airports running. Moreover, it is the impression of the authors of this report that all involved with the Airport System, from Public Works leadership to employees to the Airport Advisory Commission all care very deeply about its future.

Nonetheless, it is quite clear the future viability of the Airport System will require changes to the way it is governed and run. While budget challenges make it difficult to hire adequate staff, more defined leadership is absolutely required.

Research for this project also uncovered that the current Airport Advisory Committee was built to have a focus on airport operations, rather than on airport business, and the role of the Airport System in developing the economy of the region. Many California airports with advisory committees use those committees to bring in a wide range of regional perspectives to airport planning. Humboldt County is currently unique in its operational focus. Many members of the current Aviation Advisory Committee believe it should be re-structured to better match a new Airport System mission to run like a business and help to develop the regional economy. Most interviewed for this report said the Committee should be made up of business and community leaders. Some also believe the Committee has too many members, with nine, and membership should be pared down.

There are several achievable solutions to overcome most governance-related challenges to the Airport System. Staffing challenges will take more time to overcome, through the development of new System revenue allowing for currently frozen positions to be filled as the Airports budget normalizes. Detail on these recommendations can be found in the following section of this report.

KEY STRATEGY FINDINGS

The Humboldt County Airport System is more spread out, across a wider area, than any other system in the State of California. It contains six airports, each of which has a unique niche within the County – while some are rarely used. A total of 82-miles separates the northernmost airport, Arcata-Eureka (ACV), from the southernmost, Garberville. While each airport represents a unique business opportunity for the County, the six-airport network also represents a burden in terms of cost and staff time to maintain.

The authors of this report have found that, while current Public Works leadership and airport staff are working on certain initiatives to grow revenue and reduce expenses at the County's larger airports, there has been no cohesive business vision, mission, and strategy without a professional airports manager. That is one of the reasons for this report – to develop actionable items that can be achieved and improve the financial state of the Airport System. With current staffing it has been impossible for the System to take the time to develop this strategy on its own.

The Airport System has the advantage of hundreds of acres of developable land. Development of land must comply with the Airport Land Use Compatibility Study. Not all of the land is located where most of the County's population lives. Nonetheless, there is adequate land for additional development at all six airports, should there be demand. But with limited System staff, and only one program manager who is charged with running the airports on a day-to-day basis, there has not been a focus on marketing the land or finding new tenants. This land could be the greatest undeveloped asset of the System, and its development will need to be a business focus in the future.

"...THERE HAS BEEN NO COHESIVE BUSINESS VISION, MISSION, AND STRATEGY WITHOUT A PROFESSIONAL AIRPORTS MANAGER."

In the County, residents interviewed for this project talked most frequently about scheduled airline service. Data compiled shows just 50% of passengers flying in and out of Humboldt County use the service available at Arcata-Eureka (ACV). That number is likely to decrease as, during the course of this study, PenAir filed for bankruptcy and closed its Portland hub. This resulted in the loss of ACV's non-stop Portland flights in August of 2017; a loss of 27% of the market's airline capacity.

The data makes it clear there is insufficient airline service in Humboldt County to serve the demand. This is a positive in seeking new service from both incumbent and new carriers. However, the risk in starting service in an unproven market is exceptionally high. With a massive, nationwide pilot shortage, airlines are less willing than ever to accept this risk.

Because of the current air service development environment, more communities are developing formal air service development organizations and foundations. Fly Humboldt has taken on the role of representing Humboldt County in air service development for several years. It has not been formalized into an official air service development organization sanctioned by the County as of yet. In fact, there is no formal air service development infrastructure in the County. This makes it more difficult for the County to compete for limited airline resources against other cities and counties which have formalized community funding and community support organizations to reduce airline risk.

> "...THERE IS NO FORMAL AIR SERVICE DEVELOPMENT INFRASTRUCTURE IN THE COUNTY."

Also of note, the Humboldt County Airport System has a Board-approved two-year fee waiver program, but no other incentives. The FAA encourages airports to develop formal programs to ensure fairness in incentives to all potential carriers. Most airports on the west coast have formal incentive programs that are available to all similarly-situated airlines. These airport incentives, such as marketing support, are often offered alongside community and federal government risk sharing for new service. Without a competitive program, ACV is not as attractive as many of the airports with which it competes.

The airline terminal at ACV was one of the most common topics brought up by those interviewed, and those surveyed, during the discovery portion of this project. Many complained about the cleanliness and maintenance of the terminal. This is likely a result of short-staffing, as the Airport System has just 12 employees, down from its fully-allocated allotment of 19. 12 employees are not able to accomplish near as much work as 19, especially when those 12 are responsible for running and maintaining six airports.

The authors of this report found high demand for the re-opening of the in-terminal restaurant on the second floor of the ACV passenger terminal. The County has allocated $250,000 for the re-development of the space, but has not yet worked to find a restaurant partner. While terminal restaurants at small, non-hub airports are

often difficult to support, there are few restaurants in the area near the terminal. Most believe the restaurant will become a destination for residents, and for business people conducting meetings before and after flights. The restaurant also stands to gain business when flights are delayed and cancelled.

In addition, companies operating rental car franchises have complained about the lack of a rental car service facility at ACV. Most airports, including small non-hubs, have some kind of indoor facility in which rental car companies can clean and service cars between rentals. Cars at ACV are currently cleaned and serviced outside, regardless of the weather. The rental car companies have agreed in principle to a concession fee that would be added to each rental to pay for a new facility.

> "THE SYSTEM IS LOSING A SIGNIFICANT CHUNK OF REVENUE IT COULD BE RETAINING BY OUTSOURCING PARKING AND NOT CHARGING WHAT PARKING AT THE TERMINAL IS REALLY WORTH."

Passenger vehicle parking at ACV is one of the largest sources of revenue for the Airport System. The System generates more than $500,000 per year in gross parking fees. The challenge is the parking lot is run by a private vendor, who keeps more than 40% of the gross fees each year, meaning the system's net is just $300,000 per year, even though the System is in charge of the maintenance of the lot. Moreover, parking fees at ACV are lower than fees at all of the regional airports surrounding it. The System is losing a significant chunk of revenue by outsourcing parking and not charging what parking at the terminal is really worth.

With Humboldt County being so isolated by the geography of northern California, air cargo companies play a critical role in getting high value goods to and from the area. But the regional population is not sufficient to support a large cargo hub and there simply is not enough high value, lightweight cargo generated in the region to support large cargo jets. The small aircraft cargo operation at Murray Field (EKA) is, however, an important piece of the economic infrastructure at the County.

The authors of this report were surprised to learn the cargo operators at Murray Field move and sort cargo without an enclosed facility. Virtually all smaller airport cargo operations in the west use a hangar or other building as a sort facility. Cargo transiting Humboldt County is all sorted from airplane to truck outdoors, regardless of the weather.

It is also rare to see air cargo operators using an airport other than the main scheduled passenger service airport. While cargo flights in Humboldt County use Murray Field, scheduled passenger flights use Arcata-Eureka Airport. Cargo companies say they prefer the proximity of Murray to Eureka. But the services available at ACV are potentially a better fit for air cargo operations, especially as aircraft size increases in the future.

> "...TENANTS THAT DO LEASE LAND AND BUILDING SPACE AT THE COUNTY'S AIRPORTS HAVE WIDELY VARYING LEASE COSTS."

Those tenants that do lease land and building space at the County's airports have widely varying lease costs. Many leases have not been updated in a number of years. Some County agencies pay less per square foot for land and buildings on Airport System property than private tenants. Airport lease rates are notably below rates for large buildings away from airports throughout the County.

The County's only Fixed Base Operator (FBO), Northern Air at Murray Field, has not had a new lease executed since 2005. Northern is exceptionally important to the County's aviation infrastructure as it is the only full-service aircraft maintenance operation in the County and it offers the only flight school. Its lease should be updated more frequently to reflect market conditions.

Virtually all the buildings located on Airport System property are currently leased. Hangar space has been in particularly high demand, although those who currently lease hangars at County airports report many of them

are in various states of disrepair. Maintenance, they say, has been neglected due to the limited staff available to perform repairs.

In spite of this, there is a current hangar waiting list containing the names of more than 40 people who are looking for hangar space within the County. Some of these people are looking to move aircraft from one airport in the System to another, but the majority are from outside the area looking to move a plane into the area. Still, it must be noted that only eight names have been added to the waiting list in the last 12-months and some of the requests are several years old. The list has not been recently vetted to determine true demand.

Pilots reported they are often discouraged from flying, or from stopping at airports in Humboldt County, by high fuel prices. While a survey of fuel prices for the northern half of California and southern Oregon, completed for this project, shows Humboldt County's prices near both the average and median, fuel prices at both Rohnerville and Garberville are artificially high due to the cost of the fueling infrastructure. At both airports, the fuel tanks are underground. Underground tanks require extensive inspection and maintenance procedures in California.

"THE BUDGET WILL HAVE TO BE BALANCED, PRIMARILY, THROUGH THE GENERATION OF NEW REVENUE."

These procedures are so cumbersome they add significant cost to each gallon of fuel purchased. Airports with above ground tanks have a huge pricing advantage.

While the Airport System faces an ongoing budget challenge with continued operating losses over several years, it is also clear there is nowhere else for the County to make cuts to balance the budget. The budget will have to be balanced, primarily, through the generation of new revenue.

Still there are a number of large capital projects that could create large expenses for the County in the future. These mostly involve aging infrastructure at secondary airports within the system. Murray Field, Kneeland Airport, and Dinsmore Airport all have physical challenges that will be exceptionally expensive to fix. Moreover,

none of these airports attracts a lot of attention from Airport System employees who have their hands full keeping the larger airports in the County operational.

While Kneeland Airport is the only Humboldt County airport "above the fog" it is rarely used by fixed wing aircraft. Instead, it is used for helicopter operations by CalFire and the US Coast Guard. Kneeland's runway has lost dozens of feet of length as the hillside slumps on one end. An endangered plant habitat is at that (slumping) end of the runway, so a large environmental study will be required before it can be repaired. The repair, itself, could be a seven-figure project.

Similarly, the Van Duzen River is eating away at the south side of the Dinsmore Airport threatening to take part of the runway with it. This area would need to be shored-up, and the runway potentially re-built over the long-term. Beyond the issues with the River, Dinsmore Airport is surrounded by large trees that continue to grow and now block approaches to both ends of the runway. The Airport is primarily used by medivac helicopters so the trees are not currently a significant problem.

> "EVENTUALLY, HUMBOLDT COUNTY WILL HAVE DIFFICULT CHOICES TO MAKE ABOUT THE FUTURE OF MURRAY, KNEELAND, AND DINSMORE AIRPORTS."

Murray Field is built on wetlands and it is one of the few airports in the United States to sit below sea level. Users of the Airport, which is actually Humboldt County's busiest in terms of takeoffs and landings, report the runway is heaving, sinking, and cracking as are the taxiways. In time, the runway will require a complete re-build in order for it to remain safe. Part of the Airport lies within the purview of the California Coastal Commission which could make runway reconstruction difficult environmentally.

Eventually, Humboldt County will have difficult choices to make about the future of Murray, Kneeland, and Dinsmore airports. The County will either need to invest significant money to re-build runways or re-purpose

each airport. Kneeland and Dinsmore could be converted to helipads at limited cost. The situation at Murray Field will be the most difficult to address.

KEY MARKETING AND BRANDING FINDINGS

To learn about community perceptions, the previous marketing strategy, system brand impressions, and the Airport System's position within the community, Volaire Aviation consultants conducted a number of research activities in Humboldt County over a six-month period. Consultants led an online research survey, hosted community focus group sessions, conducted online market research, compared the results to industry-related standards and benchmarked the aviation system against its regional and industry peers.

While the marketing and branding strategy took into account the market position of the entire Airport System, the most important marketing initiative involves the support and growth of passenger airline service at the System's flagship airport, known often by its three-letter-code of ACV. That airport code is more well known, in fact, than the Airport's current legal and marketing brand name.

"MOST SAID THAT THE NAME MEANT LITTLE TO THEM AND THAT IT WAS TOO CUMBERSOME TO USE IN NORMAL CONVERSATION OR IN A SEARCH FOR FLIGHTS."

Of the more than 500 people interviewed, surveyed, and who participated in marketing focus groups as part of this project, *only one* could correctly name the current brand of the County's commercial service airport, "California Redwood Coast – Humboldt County Airport." A mere ten people mentioned Humboldt County as part of the airport's name – less than 2% of the sample. When the legal name was presented, feedback was not kind. Most said the name meant little to them and it was too cumbersome to use in normal conversation or in a search for flights.

The vast majority of those who participated in the studies to develop the marketing plan said they call the airport either by its code, ACV, or "Arcata-Eureka Airport." In Volaire's extensive marketing experience, the

most successful airports are those with a clear brand that aligns with the names of the largest cities the airport is designed to serve. This is relatively clear in Humboldt County where, regardless of the legal or brand name of the airport, almost all people who know of the airport and use it, call it by the name of the two largest cities its serves: Arcata and Eureka.

This is even more important with travelers who live outside the market. For those traveling from their homes to Humboldt County, the vast majority will search for an airport in one of the larger cities of the region – Eureka or Arcata. Very few will associate Eureka and/or Arcata with Humboldt County, as counties are not common knowledge in the US. Even fewer will think to search for "California" or "Redwood," as both of those places are significantly larger than Eureka, Arcata, or Humboldt County.

There is also confusion between the County's airport branding and the branding of Fly Humboldt, which is the unofficial promotion and air service development partner of the Airport System. The brands will need to be aligned if Fly Humboldt becomes a more formal air service development organization. The role and mission of each entity will need to be clear and defined.

> "FOR THE AIRPORT SYSTEM AS A WHOLE, THERE IS A POOR PERCEPTION IN THE COMMUNITY AND THE COUNTY OF THE TRUE VALUE THAT THE SYSTEM BRINGS."

Some of the confusion today comes from dual websites that operate in support of airline service at ACV. The Airport has its own County website, which is poorly designed, weakly laid out, and not very functional. The Fly Humboldt website is a better representation of a passenger/consumer-facing site, with more functional flight information and search options. Any airport website should be functional and focused on users and the most frequent information they need to access. In the case of the ACV website, it should have full functionality to book and plan travel.

For the Airport System as a whole, there is a poor perception in the community and the County of the true value that the System brings. The message of economic development has not been well communicated. Most in the community have no idea as to why the Airports are so vital to the region's prosperity.

KEY RECOMMENDATIONS

The ultimate goal of this project is to develop a set of actionable items for Humboldt County and the Airport System to immediately work on to better position the System for long-term financial viability. These key recommendations lay out Volaire's favored course of action to achieve the County's goals. These recommendations are made independently, outside of direct County influence, but based on nearly a year of detailed research, and more than 50-years of combined consulting experience in airport strategic planning.

The recommendations are divided into three distinct sections. The first set of recommendations deals with the governance of the Airport System and is designed to mitigate many of the challenges found in on-site research. The second set of recommendations has to do with the future strategy of the Airport System in developing business and balancing the budget. This section recommends specific business development strategies based on research and local stakeholder vetting, while omitting some initiatives researched for the business strategy document previously developed for this project. Initiatives that are omitted are not believed to be beneficial to the Airport System, or are believed to be unachievable. Finally, the third set of recommendations outlines the consultants' vision for the Airport System brand and marketing strategy.

KEY GOVERNANCE RECOMMENDATIONS

An ideal governance structure for the Humboldt County Airport System is one which allows it to run more like a business under the enterprise fund concept. The ideal structure will give the manager of the Airport System direct control over the airports and ensure elected officials oversee major decisions and budget planning. The ideal structure will also speed up the decision-making process by putting more direct power in the hands of

those who run the Airport System and understand its unique challenges and opportunities. It is with these factors in mind that the following recommendations are made.

KEY GOVERNANCE RECOMMENDATION ONE: CREATE AN AIRPORTS DEPARTMENT

While the governance report written for this project made it clear the most efficient airport governance structure in California is that of either an autonomous authority or district, a move to this structure in Humboldt County is likely politically impossible because voters would never support it. An authority or district would have to be supported by a new property tax, which would be difficult to propose in the current economic environment. Additionally, the Airport System, in order to stay financially viable, needs to be able to use the staffing resources and expertise of other County departments.

This report recommends creating a new Airports Department within Humboldt County. While this recommendation creates the County's 13th appointed department along with creating more work for County administrative staff and the Board of Supervisors, it is also true the current structure results in slow response times, a sub-division fighting against critical County infrastructure needs for attention to problems, and a lack of business focus.

Specifically, the new department should help remedy a number of current challenges:

1) Make the Airport System a higher priority for County government by elevating its status;

2) Improve response time for items that can be processed by the department instead of going through Public Works;

3) Empower on-field decision-making;

4) Provide a clear chain of command for both employees and stakeholders;

5) Ensure the Airport System operates with a business-minded focus and with a strategic plan;

6) Reduce spend on extra staffing from Public Works;

7) Ensure airports are adequately maintained and safety checks are more frequent;

8) Better maintain the airline terminal with on-field oversight.

KEY GOVERNANCE RECOMMENDATION TWO: HIRE A PROFESSIONAL AIRPORTS DIRECTOR

Everyone interviewed for this report agreed the Airport System must finally hire a full-time, professional airports manager to oversee the division. Regardless of governance structure, the System must have a manager. It is remarkable the Airport System has been able to function for four years without direct management, speaking to the quality of the leadership at Public Works and the employees of the System in ensuring the System could continue to function.

"THE TIMING OF A HIRE... PUTS A NEW DIRECTOR IN A PRIME POSITION TO QUICKLY MOVE FORWARD WITH A NUMBER OF INITIATIVES TO GENERATE NEW REVENUE."

In the experience of the authors of this report, a strong, experienced manager will not be attracted to a job where he or she is reporting to another department head. The best airport leaders in the country want to lead their own airports with a structure allowing them to directly report to the leadership of a governmental body – in this case the Board of Supervisors. Taking pay out of the equation, Humboldt County is much more likely to land an experienced and dedicated airport director if the Airport System is positioned to report directly to the Supervisors rather than the Public Works Director.

To be competitive with other, similarly-sized airport systems, an experienced director would require a salary of between $120,000 and $180,000 per year, plus benefits. While the Airport System budget is currently unbalanced, this investment by the County will be key to turning the budget around. The timing of a hire, shortly after the publication of this report, puts a new director in a prime position to quickly move forward with a number of initiatives to generate new revenue. This will also help the director gain respect quickly in the community, as the director will be entering a situation where much of the groundwork has been done and initiatives should see quick success.

KEY GOVERNANCE RECOMMENDATION THREE: RE-EVALUATE STAFFING LEVELS

The Humboldt County Airport System is understaffed. 12 employees oversee, manage, and maintain six airports separated by as much as 82 miles. The sheer volume of work is too much and even the addition of an airports director will not relieve the pressure felt by the amount of work to be done. Airports are not adequately maintained and tenants have taken on too much of a burden for maintenance.

The County must re-evaluate how the Airport System is staffed and eventually work to start filling some of the seven positions that have been left open due to budget concerns. In fiscal year 2016, the Airport System paid Public Works almost $21,000 for extra maintenance staff time and almost $28,000 for property management.

The goal of governance change recommended in this report and the hiring of an airports director, is to place more emphasis on strategic business planning and revenue growth. Once a strategic business plan is in place and revenue growth can be documented, it is recommended new revenue first go to hiring staff.

> "THE COUNTY MUST... EVENTUALLY WORK TO START FILLING SOME OF THE SEVEN POSITIONS THAT HAVE BEEN LEFT OPEN DUE TO BUDGET CONCERNS."

Airport System staffing should also be re-structured. It is suggested System full staffing be reduced from the current 19 positions (with seven currently frozen) to 17 positions, eliminating a custodial position (currently unfilled) and a groundskeeper position (currently unfilled). The reduction in staff size will not cause any employee to lose their job. In fact, it would represent a net increase in five jobs over the positions currently filled. The new staffing structure should include specific responsibilities for a staff member in charge of air service, marketing, and business development. This would put the System's focus squarely on business development and planning.

The staffing structure can be changed at the same time governance changes are enacted. But the positions marked for new hires (outside of the airports director) do not have to be filled until the point at which the County is comfortable the System's budget is improving. However, the airports will face challenges with maintenance until the System is fully staffed.

KEY GOVERNANCE RECOMMENDATION FOUR: RE-STRUCTURE THE AVIATION ADVISORY COMMITTEE

The current Humboldt County Aviation Advisory Committee is made up mostly of pilots and has an operational focus. Without a professional airports director, it was important to have operational expertise on the Committee. But with a professional director, with years of experience in airport operations, the focus of the Committee should change from an operational one, to a focus on the future business strategy of the Airport System.

The Aviation Advisory Committee should be re-structured to include seven members down from the current nine. The current Committee has trouble obtaining a quorum for meetings indicating it has too many members. It is also recommended that, instead of all members being appointed by the Board of Supervisors, certain positions be attached to positions within other community organizations. The new Committee should include the following permanent positions appointed by the Board of Supervisors:

1) Humboldt County Convention & Visitors Bureau Executive Director

2) Economic development representative from one of the region's agencies and/or cities

3) Chamber of commerce representative from one of the region's agencies and/or cities

The new Committee should also include the following positions appointed by the County's Board of Supervisors, based on the requirements of each position. Each of these appointees shall be nominated to the Supervisors by the Airport System:

1) Airline Representative: A locally-based representative of a scheduled passenger or cargo airline serving one of the County's airports;

2) Aviation Tenant Representative: A tenant at one of the County's airports;

3) Local Business Representative: A leader at a local firm with an interest in the airports;

4) Financial Representative: A leader at a bank, investment firm, or accounting firm.

The bylaws of the new Committee should specify no more than three of the seven members of the Committee shall be pilots, whether they have aircraft based at airports within the County or not. This will reduce the chance of a conflict of interest.

The authors of the report did consider the outright elimination of the Aviation Advisory Committee, removing a layer of governance and potentially enhancing the on-field decision-making of a professional airports director. However, current federal grant assurances require participation with users and affected parties; this is how the County ensures compliance. Moreover, there is an opportunity to use the re-structured committee to better connect the Airport System to the region and the people the airports are meant to serve.

KEY GOVERNANCE RECOMMENDATION FIVE: SCHEDULED AIRPORT-TENANT FORUMS

To provide a clear line of communication between Airport System management and tenants at all airports, the report recommends mandated tenant communication through different forums based on the airport and the tenant. Specifically, the airports director should meet quarterly, in a group setting, with tenants at the following airports:

1) Arcata-Eureka Airport

2) Murray Field

3) Garberville Airport

4) Rohnerville Airport

These meetings should take place at each airfield so tenants do not have to travel to Arcata-Eureka Airport to be heard. There are few tenants at Kneeland and Dinsmore airports and they should be welcome to attend meetings at any of the other airports. The goal of these meetings will be to address any operational issues, to ensure maintenance is being performed, and to ensure tenants have a direct line of communication to the Airport System.

It is recommended the airports director meet monthly, one-on-one, with the station managers for scheduled airlines – both cargo and passenger. These meetings should be regularly scheduled and held at the airports director office at Arcata-Eureka Airport (ACV). The goal of these meetings will be to ensure nothing gets overlooked in airline terminals and slow-moving repairs of the past do not become the norm.

Finally, it is recommended the airports director meet monthly with the County Administrator and each member of the Board of Supervisors. These meetings should be scheduled on the same date in each month to ensure they are kept on the calendar and regarded with adequate importance.

KEY STRATEGY RECOMMENDATIONS

Due to the number of airports in the Humboldt County system – six throughout the County – there is no shortage of potential business development options. Some options are ready for action in the short-term while others are better suited for long-term planning. There are more key recommendations in this section of the report than any other section as there are a myriad of options to develop new lines of business and to better manage current lines of business.

KEY STRATEGY RECOMMENDATION ONE: ADOPT VISION, MISSION, AND VALUES STATEMENTS

The first strategy recommendation is the immediate adoption of the vision, mission, and values statements for the Airport System. These statements clearly outline the vision for the future of the enterprise, along with the daily mission for all employees, and the values cherished in the System's daily operations.

Vision Statement:

The people of the Humboldt County Airport System work tirelessly to ensure its position as

the gateway to possibility for an entire region.

Mission Statement:

We are relentlessly driven to be a leading regional transportation system, focused on

connecting our community to global opportunity.

Core Value Statement:

The people of the Humboldt County Airport System strive for excellence in safety, security,

and convenience, with their ethical, responsive, and future-focused spirit, as they work to

lead the community through a customer-focused approach.

KEY STRATEGY RECOMMENDATION TWO: MAINTAIN AND ENHANCE AIR SERVICE INCENTIVE POLICY

The dynamic of air service recruitment has changed substantially over the last decade. Before the Great Recession, airlines were much more interested in growing market share and in taking risk. Following the recession and record losses, airlines have become the most risk averse businesses in the country.

At the same time, airports across the country saw major reductions in airline service following the recession. In order to stimulate airline expansion, airports of all sizes became much more aggressive in offering incentives to offset airline risk. The Federal Aviation Administration (FAA) published incentive guidelines in 2009, to ensure airports are not subsidizing one airline with revenue from another.

Air service is expensive. Beyond the cost of aircraft acquisition, airplanes are expensive to maintain, and crews are expensive to employ. For airlines, it is much less risky to add service between large cities, with huge population bases, and demonstrated passenger traffic over a long period of time. Smaller markets, and new markets, are much riskier as it takes more time to change passenger behavior and to stimulate new traffic.

> **"SMALLER MARKETS, AND NEW MARKETS, ARE MUCH MORE RISKY AS IT TAKES MORE TIME TO CHANGE PASSENGER BEHAVIOR AND TO STIMULATE NEW TRAFFIC."**

Virtually all airports in the United States offer airlines some type of incentive program to encourage new service. The Federal Aviation Administration (FAA) encourages airports to adopt standard incentive plans, instead of negotiating on a case-by-case basis, to ensure all airlines are treated equally and have the same opportunity to take advantage of potential incentives.

The most effective incentives reduce airline cost in operating the new service, provide marketing and advertising support to ensure passengers can find and book the new service, and ensure the service becomes profitable as soon as possible.

The most common airport-provided incentives are fee waivers (including waivers for terminal rent and landing fees), marketing and advertising cash, and credits to help an airline pay for its ground handling of new flights. Airports are not allowed to use airport revenue to provide revenue guarantees or to subsidize new air service.

It is suggested the Humboldt County Airport System maintain a standard incentive program that would apply to all new service equally. The County should conduct a cost-benefit analysis of new air service and dedicate as much of the "new passenger revenue" from that service as possible to incentives for the new service. The Board of Supervisors should then adopt the incentive program and keep it in place for a period of five years, initially.

KEY STRATEGY RECOMMENDATION THREE: FORMALIZE THE ROLE OF FLY HUMBOLDT

Many communities use formal organizations for air service development. Most communities that seek to incentivize air service (which includes virtually all non-hub airports in the country) do so through outside third parties because of limitations on airport incentives imposed by federal law.

The Federal Aviation Administration (FAA) puts many restrictions on the use of airport revenue to ensure fair treatment to all airport users. In general, airport revenue cannot be used for air service incentives outside of fee waivers and marketing support and only for a limited period of time.

Humboldt County lacks a large resort or a single large business that could fund guarantees for new service. Fly Humboldt has done a good job attracting airline attention

> "MOST COMMUNITIES THAT SEEK TO INCENTIVIZE AIR SERVICE DO SO THROUGH OUTSIDE THIRD PARTIES BECAUSE OF LIMITATIONS ON AIRPORT INCENTIVES IMPOSED BY FEDERAL LAW."

by developing non-financial support from many local stakeholders. But to truly be able to compete, a permanent air service development fund, independent of the Airport System, must be developed. Funding for this could come from many sources, but it will likely need some kind of government component.

In on-site interviews, many stakeholders were supportive of an additional room tax option with the Humboldt Lodging Alliance, with all funds dedicated to an air service development fund that could be administered by Fly Humboldt. This could provide a continuous flow of funding for the development of airline service putting ACV in position to compete with other airports for the precious resource of aircraft and crew time.

It is recommended the County formalize the role of Fly Humboldt as an official air service development partner of its Airport System. It is also suggested Fly Humboldt develop an independent board of directors and register as an official California non-profit corporation. This will allow Fly Humboldt to develop air service incentive funds and to work with carriers outside the official FAA-regulations for airport revenue to more effectively

compete for airline service. Additionally, it is recommended the County review the possibility of instituting an additional hotel room tax that would go directly to Fly Humboldt for use in air service development recruitment incentives.

KEY STRATEGY RECOMMENDATION FOUR: AIR SERVICE DEVELOPMENT ACTIVITIES

Air service development and the retention and recruitment of passenger airline service should be a constant activity. In the governance section of this report it is recommended the Airport System dedicate much more staff time to air service development and marketing. Likewise, in this section of the report, it is recommended the System formalize its air service development outreach expectations to ensure adequate time is being spent with airline network planners. These recommendations are based on the best practices of Volaire Aviation consultants as they have a combined 100-years experience in airline recruitment.

First, it is recommended the Airport System meet with its incumbent airlines, at airline headquarters, once per year. The goal of each meeting is to update the airline on developments in the region, data on passenger behavior, and marketing activities. These meetings should also develop specific business cases for the expansion of service, both to the hub with current flights, and to potential new hubs. It is recommended the Airport System leverage the experience of an air service development consultant in the creation and presentation of these materials as consultants tend to carry more weight with airline network planners due to their specific expertise, than community members.

Secondly, it is recommended the Airport System meet with prospective targeted carriers, who do not currently serve the market, at least twice per year at industry conferences. These conferences offer quick meetings with multiple carriers in a one or two-day period, reducing expense and ensuring the Airport System can secure many meetings. When possible, the System should also seek to meet with prospective carriers at airline headquarters.

In each case, board members from Fly Humboldt should be included in these meetings to address potential community incentives for new service and other community support. These meetings should not include elected officials, as the presence of potential political influence usually sours business strategy meetings with airline network planners.

> "PASSENGER RETENTION AND LEAKAGE STUDIES ARE THE KEY FACTOR, BEYOND INCENTIVES, USED TO ILLUSTRATE A BUSINESS CASE FOR SMALL COMMUNITY AIR SERVICE."

Third, it is recommended that the Airport System update its passenger retention and leakage study at least once per 24-months and once per 12-months when a major change occurs to the air service landscape. The loss of PenAir service at Arcata-Eureka Airport will materially change how many local passengers it is able to retain. The Airport will need to have a consultant develop an updated passenger retention and leakage study to determine the impact of service loss and to explain to potential carriers how the market opportunity has changed by the second quarter of 2018. Passenger retention and leakage studies are the key factor, beyond incentives, used to illustrate a business case for small community air service.

KEY STRATEGY RECOMMENDATION FIVE: AIRPORT SYSTEM LEASE RATES

Lease rates for the airport system vary greatly for private tenants. Some of the variation is due to the quality of the buildings leased or the specific space requested. Some of the variation is also due to the fact that certain leases have not been re-signed or re-negotiated for a long period of time and are still being charged at previous rates.

At Arcata-Eureka Airport (ACV), building tenants pay anywhere from 7-cents per square foot per month for hangar space to as much as $3.32 per square foot per month for office space. Only three leases are well below the current standard build lease rate of 79-cents per square foot per month, but if those three leases were brought up to County standard rates the additional revenue per year would total more than $33,000. It is

recommended the County set standard building lease rates for each airport within the System and work to ensure all leases are signed and up to date.

Land lease rates at airports throughout the system, for private lessees, range from a penny per square foot per year to 42-cents per square foot per year. Most of these lease rates are near the current County standard of 35-cents per square foot per year. It would still benefit the airport system to develop a set of standard lease rates based on the quality of the land being leased and in the interest of maximizing land lease revenue without discouraging use of the land. It is recommended land lease rates be standardized at each airport within the System and that all parcels have signed and valid leases.

"IT IS RECOMMENDED THAT THE COUNTY SET STANDARD... LEASE RATES FOR EACH AIRPORT WITHIN THE SYSTEM AND WORK TO ENSURE ALL LEASES ARE SIGNED AND UP TO DATE."

The airport system has not negotiated a new lease with its main Fixed Base Operator (FBO), Northern Air at Murray Field, since 2005. The lease expired in 2010, but no new lease was furnished for the analysis in this report. The lease includes Northern Air fees of just $1,355 per month which includes the concession fee ($75 per month) and the rental of two buildings, including a hangar. This fee is significantly lower than the fees charged to most other FBOs in California. While low fees are important to encourage business expansion, it is recommended FBO lease terms be reviewed against peer markets and adjusted accordingly in the next new lease.

Other departments within Humboldt County are able to lease buildings and land on its airports at rates that are well below the market rate – in many cases less than 50% of what private tenants are paying. This benefit to the County is not reflected in any of the Airport System's accounting, but would represent at least 25% of the Airport System's budget shortfall. While the County benefits from these low lease rates, the Airport System should be credited, in its annual budget, for the benefit it provides the County.

KEY STRATEGY RECOMMENDATION SIX: ACV PASSENGER VEHICLE PARKING

The County outsources the management of its parking operation to Republic Parking on a 20-year contract that will expire in 2021. Under this contract, Republic collects all gross receipts for parking fees and pays the County rent based on its share of those receipts. Republic is responsible for staffing the kiosk, but the County is still responsible for all maintenance and upkeep of the parking lots.

> "REPUBLIC, BASED ON ITS AGREEMENT WITH THE COUNTY, RETAINED 42.5% OF ALL PARKING REVENUE FOR THE TWO-YEAR PERIOD."

In 2015, Arcata-Eureka Airport (ACV) passenger vehicle parking generated more than $400,000 in total gross receipts. Based on the agreement with Republic, the County only retained 56% of the gross receipts, or $223,000, with the rest going to Republic. In 2016, parking gross receipts increased by 30%, to almost $519,000. But the County only retained 59% of the revenue – a total of just over $305,000. Over the two-year period from 2015 to 2016, Republic Parking generated almost $391,000 in total revenue from managing the parking lots at ACV. Republic, based on its agreement with the County, retained 42.5% of all parking revenue for the two-year period.

At the conclusion of the Republic Parking contract, the County should take over the management of the ACV parking operation. Parking automation, including all equipment and technology required, costs between $250,000 and $450,000 to install, based on which system an airport chooses. The County can cover the expense of installing the system in just two years through the re-patriation of revenue currently being spent on Republic management. Beyond the two-year payoff phase, an automated system would allow the County to access at least $200,000 per year in additional parking revenue based on recent financial results.

ACV has the cheapest parking rates of any regional airport in northern California or southern Oregon, except for Crescent City, where parking on a gravel lot is free. It is recommended the County raise the cap on the short-term passenger parking rate to $14 per day. It is also recommended the cap on long-term parking rates

be raised to $10 per day. It is forecasted this will increase total parking receipts by $25,000 to $50,000 per year, with about half that amount going directly to the Airport System after its payment to Republic Parking.

KEY STRATEGY RECOMMENDATION SEVEN: ACV TERMINAL RESTAURANT

While smaller, regional airports with less than half million annual passengers typically have difficulty generating sufficient business to support in-terminal restaurants, ACV had a successful restaurant for many years and has an ideal space on the second floor of the terminal for a new restaurant. Those regional airports, such as San Luis Obispo, are able to support on-field restaurants mainly because they are located in areas near local population with few dining options. This is certainly the case at ACV with nearby McKinleyville.

Airline representatives were clear in on-site interviews they believe passengers will make a habit of using the restaurant. They said they often get requests for a full-service restaurant and have no options to which to send passengers. Additionally, when flights are delayed, airlines report their passengers would often like a restaurant in which to pass the time, especially if Wi-Fi is offered for free.

Local businesses interviewed for this report said they would use the restaurant at ACV for business meetings. Many businesses, such as the hospitals, would like to conduct new employee interviews right at the airport to make trips much quicker.

It is recommended the Airport System and the County fast-track the development of the airport terminal space at ACV for a restaurant. It is then recommended the Airport System begin an expedited recruitment of a restaurant operator for the space.

KEY STRATEGY RECOMMENDATION EIGHT: SOLAR POWER DEVELOPMENT

Airport interest in solar energy is growing rapidly as a way to reduce airport operating costs and to demonstrate a commitment to sustainable development. There are more than 15 solar airport farms in the United States.

Solar is particularly well-suited to airports because of available space and unobstructed terrain. It does not need unobstructed sunshine to generate electricity. It can work in frequently cloudy climates, like Humboldt County.

The Humboldt County Airport System has already started work on a plan to place solar on-field at Arcata-Eureka Airport (ACV). At the same time, runway lighting would be replaced with LEDs to reduce electricity expense.

> "SOLAR IS PARTICULARLY WELL-SUITED TO AIRPORTS BECAUSE OF AVAILABLE SPACE AND UNOBSTRUCTED TERRAIN."

A solar farm at ACV would be owned and operated by the Redwood Coast Energy Authority, which would pay for a land lease to use the airport land, and pay the airport for the energy generated by the panels. The County's Public Works Department estimates the solar farm would save the Airport System a significant amount in energy costs per year once it is fully operational. Maintenance of the system would be the responsibility of the Redwood Coast Energy Authority.

The Airport System also has a plan in place for a new runway lighting system at ACV using LED technology instead of traditional bulbs. The runway lighting system must be replaced by 2020, and LED lighting would save at least $10,000 in annual energy costs on top of the savings generated by the solar farm. It is recommended the County move forward with both the solar and LED lighting plan.

KEY STRATEGY RECOMMENDATION NINE: AIR CARGO

More than 3,400 pounds of air cargo is shipped through Humboldt County airports, on average, each day. Cargo is critical to the isolated regions within Humboldt County. Typically, the main cargo airport in a community is the same airport that hosts scheduled passenger airline flights. This is not the case in Humboldt County, where Murray Field, near Eureka, is the main cargo airport while Arcata-Eureka Airport captures only cargo transported on passenger airline flights.

Murray's long-term position is a weakness, as its infrastructure is much weaker than ACV with a shorter and narrower runway and taxiways. Murray is also built on sinking wetlands and within the zone of the Coastal Commission, which will make long-term improvements to the field difficult. It has no indoor cargo sort facility, which is a challenge for its air cargo users, but building a facility at Murray could be a poor investment with a deteriorating runway and taxiways.

> "OVER THE LONGER-TERM IT WILL BE IN THE BEST INTEREST OF THE AIRPORT SYSTEM TO WORK TO MOVE CARGO CARRIERS TO ACV."

Over the longer term it will be in the best interest of the Airport System to work to move cargo carriers to ACV, which has better facilities, a better approach system in poor weather, and room for a sort facility. But the carriers, themselves, currently prefer Murray Field because it is closer to their markets in Eureka and in towns to the south.

Nonetheless, the carriers serving Humboldt County have some demand for an indoor sort facility. The County should work with the carriers to determine the scope of such a facility and to determine if the carriers would consider a move to ACV if the County aided in the development of a facility there. This would allow ACV to handle all commercial flights – passenger and cargo – and reduce the burden on Murray Field.

KEY STRATEGY RECOMMENDATION TEN: AIRCRAFT FUELING AT ROHNERVILLE AND GARBERVILLE

The underground fuel tanks at Rohnerville and Garberville require extra, difficult inspections and are expensive to maintain under California regulations. It would cost an estimated $25,000 each to move the tanks above ground thereby reducing the expense in maintaining them and reducing fueling costs. It is recommended the Airport System use trust fund money that could be available to pay for these two projects to eventually reduce the cost of fueling at Rohnerville and Garberville.

KEY STRATEGY RECOMMENDATION 11: VET HANGAR WAITING LIST

While it is true general aviation traffic is declining, the number of private pilots has fallen, and the number of aircraft based in California is in decline, there is a waiting list for hangar space at four of the County's airports: Arcata-Eureka, Murray Field, Rohnerville, and Garberville. The most recent list has 43 people waiting for hangar space at one or more of the airports.

In reviewing the hangar waiting list, only eight people have been added to the list in the last two years. Just 19% of those on the list were added in 2016 or 2017. Many of the requests are significantly older – dating back to 2003. Some of the requests have been recently verified, but not all. Before the County were to take any action on hangar development it would need to go through the list and determine how many actual new leases would be signed.

It is therefore recommended the County consider a hangar census and inspection on all airfields where hangars are present, to ensure each hangar has a primary aviation use. In the case of hangars being used for storage of items other than aircraft and parts, the County should work to move those tenants to other storage facilities and begin to clear those on the hangar waiting list into hangars that become available. It is also recommended the County vet the current waiting list to determine true demand for new hangars.

KEY STRATEGY RECOMMENDATION 12: LAND AND LEASE DEVELOPMENT

The Humboldt County Airport System has a significant portfolio of available land for development consistent with the Airport Land Use Compatibility Plan. The biggest key will be finding airport-friendly uses for the land. Most of the available land at ACV is adjacent to road access and utilities, reducing the cost of development, although road access could be improved at secondary airports. However, airports are required by federal law not to sell most of their land. Instead, they must lease land for development. This can cause developers to hesitate.

Generally, the best uses of land near an airport are for commercial facilities, such as shops, restaurants, gas stations, hotels, and big box stores, or light industrial. With industrial development, the Federal Aviation Administration warns airports against any facility that emits steam or smoke plumes, as those can reduce visibility for aircraft in certain weather conditions.

Under current governance, the Airport System does not have extra time to work on land development and to recruit new users. It is recommended the Airport System work with local economic development agencies to showcase available land to potential users when applicable. It is also recommended new Airport System leadership consider contracting out property management to a private firm to reduce staff time and to have an interested party working on development within the already-approved land-use plan.

KEY STRATEGY RECOMMENDATION 13: RENTAL CAR SERVICE FACILITY DEVELOPMENT

The current service facility for rental cars at Arcata-Eureka Airport is inadequate for the tenants' needs. The service center is not the area where the cars are rented and dropped off and it is entirely outdoors next to an aging building. This makes the work of preparing cars for their next rental difficult, at best, and in many cases impossible in inclement weather.

Planning for the development of a permanent rental car service facility has already started. The facility could, additionally, include an automatic car wash, which is not present on the field. This could be used to provide an additional service to those who park their cars at the airport while traveling, generating additional Airport System revenue. High traffic automated car washes report earnings between $750,000 and $850,000 per year.

The facility has not yet been designed, so the Airport System has no solid cost estimate. In research of other automated cash wash construction projects, which mirror this project, the cost estimate ranges from $600,000 on the low end to $1 million on the high end.

The cost of the facility would be paid through rental car fees, passed on to consumers who rent cars at ACV. Current rental car tenant companies are supportive of the concept. The potential challenge from this funding source would be the potential loss of air service. While deemed unlikely, a loss of air service would likely cause rental car companies to pull service from the airport. This would leave the airport's owner on the hook for any additional debt owed on the facility.

> "THE COST OF THE FACILITY WOULD BE PAID THROUGH RENTAL CAR FEES, PASSED ON TO CONSUMERS WHO RENT CARS AT ACV."

Despite this exceptionally small risk, it is recommended that the Airport System begin working on formal plans to develop a rental car service facility and public use car wash. This should include discussions with rental car vendors about the amount and duration of the concession fee and discussions about the size and scope of the facility, so that true cost estimates can be developed.

KEY STRATEGY RECOMMENDATION 14: THE ROLE OF EACH AIRPORT IN THE SYSTEM

Because of their location, large number of based aircraft, mix of traffic, and the relatively good condition of their physical plants, Arcata-Eureka Airport (ACV), Rohnerville Airport, and Garberville Airport are the three best positioned airports for the future of the County. Each of the three other airports have major issues that will cause the County to undertake expensive fixes so they remain safe.

Murray Field (EKA)

Tenants at Murray Field report it is sinking into the wetlands. It is below sea level. Pilots report there are berms and strange cracks throughout the runway and taxiways. These are signs of settling. The Airport System reports the airfield is getting more difficult to maintain. It is impossible to predict how long the current infrastructure will hold up, but engineers said eventually the entire airfield will need to be re-built in order to provide better drainage and to stop the settling.

Murray Field is located inside the jurisdiction of the California Coastal Commission, which is charged with protecting the natural coast. Engineers stated this will cause long-term improvements to be difficult. Engineers noted that even if the airport could eventually be re-built in place, it would likely be cheaper to use the Murray Field land for environmental mitigation in exchange for the development of additional environmentally sensitive land at ACV.

> "IT IS IMPOSSIBLE TO PREDICT HOW LONG THE CURRENT INFRASTRUCTURE WILL HOLD UP, BUT ENGINEERS SAID EVENTUALLY THE ENTIRE AIRFIELD WILL NEED TO BE RE-BUILT."

Murray's Fixed Base Operator (FBO), Northern Air, the only FBO in the County, said that there is little future at Murray Field due to the limited infrastructure including the short and narrow runway. The FBO worries that their own facility is sinking. Northern Air would be willing to move completely to ACV if there was a similar building for lease. This is not to say that Murray must immediately be closed. But rather to point out that the County must plan for Murray's future – either re-built or closed.

Kneeland Airport (O19)

Kneeland's advantage is that it is located atop a mountain ridge at 2,700 feet in elevation (above mean sea level), keeping it out of the coastal fog. It is an alternate airport for general aviation traffic bound for the County's other airports in low visibility. But pilots interviewed for this report say it is very rarely used.

The Department of Forestry operates a Helitack helicopter base adjacent to the field, but does not use the actual runway. Kneeland has no based aircraft. The Coast Guard uses the field for helicopter operations when there is low visibility at its ACV base, but does not use the airport's runway.

The Airport System reports the end of Kneeland's runway is crumbling as a large hill slides. The length of that runway has been reduced and it is not currently published to the correct length. A repair would be an

environmental nightmare due to a threatened/endangered plant at the end of the affected runway. A runway repair would require an environmental mitigation study costing at least $20,000 according to engineers. Kneeland, in its current state of repair, costs the County little to keep open. But a long-term fix to the runway deterioration will likely cost several million dollars and it is unclear if the FAA would be willing to fund the fix.

Kneeland's main apron would be large enough, and sufficient, for it to remain open as a helicopter base. The runway is not needed for the clear majority of the aviation users of the facility. Over the long-term the County will have to decide whether to invest in the environmental study and cost to re-build the airport's runway or to transition it to a helicopter-only facility.

Dinsmore Airport (D63)

Dinsmore Airport is used most frequently by helicopters, as hospitals use it as a medivac point. The runway is not needed for medivac operations. Dinsmore was built for mill traffic which no longer exists. Moreover, the runway is next to the Van Duzen River, which is encroaching upon its south edge. The Airport is also surrounded by many large trees that continue to grow impeding the runway safety area. Eventually a number of the large trees will have to be removed. The County will also need to work to stop river encroachment with some type of dyke-system if the runway is to be maintained.

Much like Kneeland, the County will have a long-term decision to make about whether to slow the river's encroachment at Dinsmore and protect the runway or to make the transition to a helicopter-only facility. With only one ultra-light based on the field the relocation of tenants will be a limited problem.

This report is not designed to recommend airport closures. That is beyond the scope. But it is clear the County's leadership will face major decisions regarding Murray Field, Kneeland Airport, and Dinsmore Airport.

The County must be prepared to solicit stakeholder and constituent input to consider potential airport closures as facilities further deteriorate.

KEY MARKETING AND BRANDING RECOMMENDATIONS

The Airport System should consider its strategic marketing plan as a changing document and be prepared to shift or modify marketing funds and resources as the air service picture continues to evolve. Volaire Aviation consultants conducted outreach to more than 500 people within Humboldt County as part of the strategic marketing plan development. The vast majority of those who were included in the research brought up a concern: the full, current airport name is either hard to remember or does not resonate well. The brand is clearly an issue for the Airport System.

The strategic plan document does not attempt to duplicate the detail of the marketing strategy document that was also prepared as part of this project. But it is important to review, at a 30,000-foot level, the main recommendations developed through the extensive market research completed for the project. It is clear the brand of the commercial service airport does not resonate. It is also clear the Airport System needs to do much more in terms of marketing and outreach to ensure the community understands the value the System brings to the County. Finally, the current website is inadequate for a commercial service airport.

KEY BRANDING RECOMMENDATION ONE: A BRAND THE REGION CAN UNDERSTAND

Volaire research is very clear – there is no connection in northern California perceptions between the County's commercial airline airport and the "Humboldt" name. Moreover, there is no general knowledge of that airport's current brand: "California Redwood Coast – Humboldt County Airport." Of the more than 500 people who were interviewed, participated in focus groups, and took part in market research surveys, only one could accurately name the airport as "California Redwood Coast – Humboldt County Airport." Only ten used the name "Humboldt" in relation to the airport.

The current marketing name was chosen to align the airport with Redwoods National Park and the County that owns and operates it; a noble goal. However, a brand must resonate with the region the airport serves. This brand does not. It is hard to remember and it has given the airport no discernable advantage to be linked to the Redwoods.

> "THIS BRAND DOES NOT RESONATE. IT IS HARD TO REMEMBER. AND IT HAS GIVEN THE AIRPORT NO DISCERNABLE ADVANTAGE TO BE LINKED TO THE REDWOODS."

The vast majority of market research shows support for aligning the airport's brand with the two largest cities it serves – Eureka and Arcata. The research does not support keeping "Humboldt" in the name, or aligning the brand with Redwoods National Park. Virtually everyone who participated in the market research for this project calls the airport Eureka, Arcata, or it's three-letter-code of ACV.

It is recommended the main passenger service airport in Humboldt County be re-branded to "Arcata-Eureka Airport." As part of this re-brand, it is also recommended the County hire a firm to develop a new logo for ACV, a logo set for the Airport System and each airport within the system built off the ACV logo. This re-branding should be built off the research conducted for this project. It is not necessary for the County to conduct further market research. The research in this report is conclusive.

The new brand should include all brand materials for the Airport System, including signage, which should only be replaced as necessary. The brand should include a new style guide to govern its appropriate use. Brand applications impact all customers' perceptions. The way a brand is portrayed in your stationery, ads, web assets, and many other pieces affect customers' understanding about the value the Airport System offers.

KEY MARKETING RECOMMENDATION ONE: DEVELOPMENT OF NEW AIRPORT WEBSITE

The airport does not currently have a fully functioning website that can act as a true customer focused portal to passengers. Rather, the airport has a page on the county site that provides some relevant information to travelers and has a secondary-site, FlyHumboldt.com which offers additional, limited information to some travelers. With a new website, or online airport portal, the airport can better initiate some of the recommended digital media and advertising tactics.

> "IT SHOULD INCLUDE A BOOKING ENGINE, FLIGHT INFORMATION THAT IS UPDATED IN REAL TIME, AND A WAY FOR WEBSITE USERS TO EASILY INTERACT WITH THE SYSTEM THROUGH SOCIAL MEDIA."

Once the new brand for the Airport System and Arcata-Eureka Airport is complete, it is recommended the County allow the System to hire a contractor to develop a new website and web presence. It should include a booking engine, flight information that is updated in real time, and a way for website users to easily interact with the System through social media.

Integrating Google Analytics into the airport's website, if not already done, is essential to provide a monthly baseline for activity being driven to the website. The airport can build trackable links to include in social media posts and monitor the effectiveness of social media posts. The estimated cost for the development of a new, independent website, with the new brand, would be between $10,000 and $15,000.

KEY MARKETING RECOMMENDATION TWO: DEDICATE ANNUAL BUDGET AMOUNT TO MARKETING

It is recommended the Airport System utilize the advertising plan recommendations provided in the strategic marketing plan document to develop the framework for the allocated media buy budget. The budget includes a combination of traditional placement and new media methods to advertise current service. Since no specific budget allotment was provided, we have suggested two sample budgets, the first based at $45,000 for the year and the second set at $75,000 for the year.

Both budgets are reasonable for an airport the size of ACV and in line with peer airports with one network carrier/one hub destination. In addition to these allocated amounts, we do recommend the airport set aside an air carrier marketing incentive budget that lines up with the airport's air carrier incentive program to save for air service development efforts and to use to launch new service if/when the option becomes available to the airport.

The authors note that budgeting for marketing dollars can be problematic. An airport, regardless of its size, faces a finite pool of money used to not only operate the airport, but undertake capital projects and potentially, pay down debt service. The strongest point to consider is what would happen if the airport does not advertise.

> Can the airport afford to trust the community knows of the air service options?
> Can the airport (or county), afford to risk the air carrier reallocating their assets to another airport?
> What would happen if the airport saw a dip in load factors?
> For each additional enplaned passenger, the airport sees an increase in revenue, supporting the cause for increased advertising efforts.

The airport, and the air service it brings, is truly a regional transportation asset. The cost of maintaining and helping that asset flourish may be small when viewed from that perspective. The negatives the region could face if the air service is lost is immeasurable. Exploring all funding avenues to assist in boosting the budget should be undertaken.

VOLAIRE AVIATION CONSULTING

VOLAIRE AVIATION, INC.

WESTERN OFFICE
10360 NW ENGLEMAN STREET
PORTLAND, OREGON 97229

503.515.3972
VOLAIREAVIATION.COM
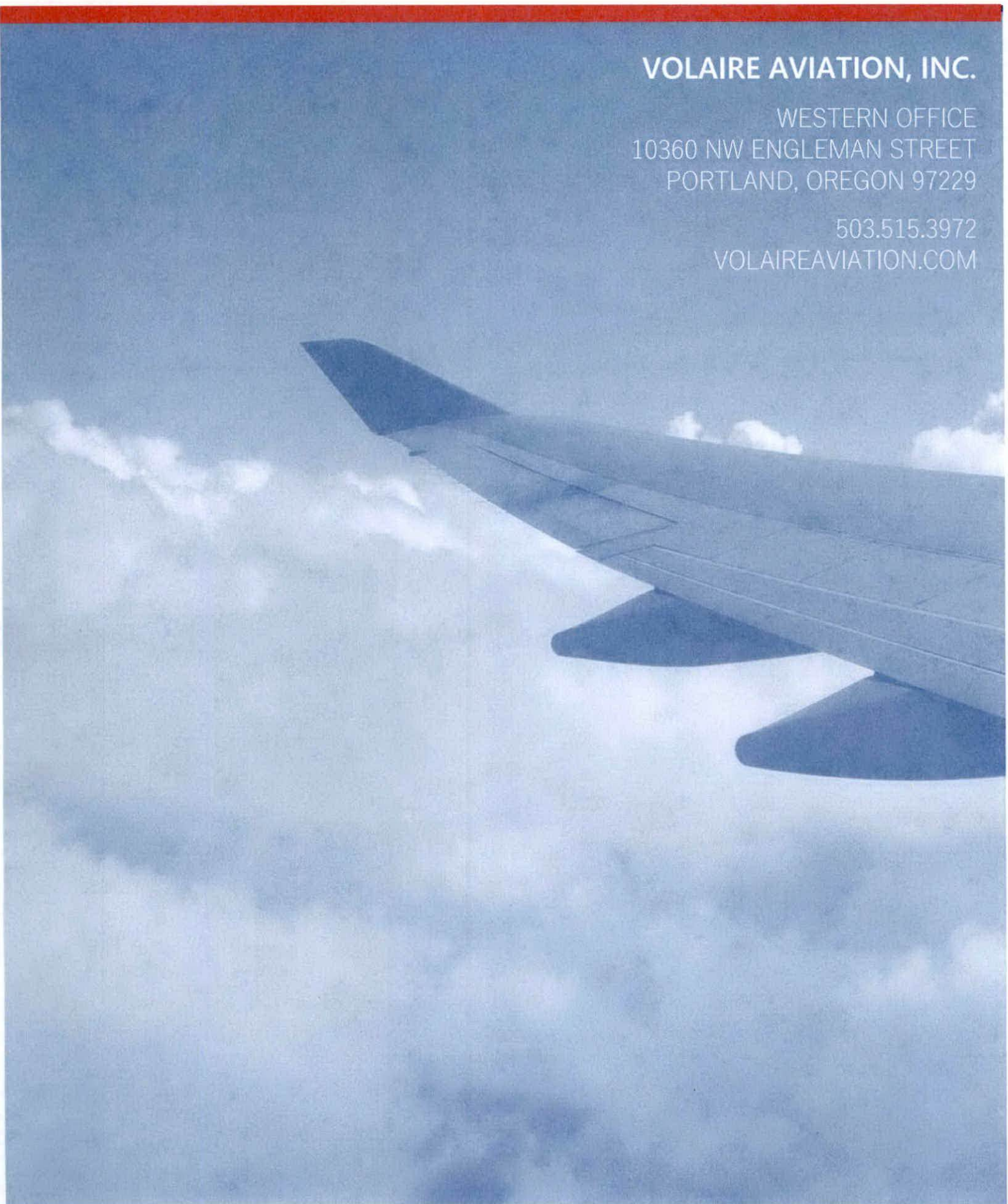
Attachment 2: Volaire – Financial Review

VOLAIRE
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FINANCIAL REVIEW

HUMBOLDT COUNTY AVIATION DIVISION

COUNTY OF HUMBOLDT
The Home of the Redwoods

Fly Humboldt!
More Flights/More Destinations

VOLAIRE
AVIATION CONSULTING

June 2017

VOLAIRE
AVIATION CONSULTING

REPORT CONTENTS

EXECUTIVE SUMMARY

This report covers the first of five major areas of study into the operations, the business plan, and the performance of the Humboldt County aviation division. The division operates six airports in the County, as a sub-department of Public Works. Its current mission is to operate those airports safely and efficiently. The airport division has just 12 employees to oversee all six airports.

To prepare this report, Volaire Aviation Consulting reviewed more than a decade of aviation system budgets; interviewed almost two-dozen people associated with the airport system including employees, supervisors, tenants, and elected officials; and benchmarked the aviation system against its regional peers. Volaire consultants have a combined four decades of experience in airport business planning and strategic analysis, including significant experience with California airports. That experience was applied to the analysis in this report.

> **"VOLAIRE CONSULTANTS HAVE A COMBINED FOUR DECADES OF EXPERIENCE IN AIRPORT BUSINESS PLANNING AND STRATEGIC ANALYSIS..."**

This report has several goals. First, it aims to layout an overview of the airport system and how it operates, with a view towards how its operations are accounted for. Second, it aims to benchmark the financial performance of the airport system against peers to determine what the system does well and where improvements can be made. Third, it aims to uncover areas where the system can cut costs. And fourth, it aims to uncover areas where the system could leverage changes to the way it handles its finances to increase revenue.

This report is not intended to lay out a strategic path for the future. That work is still to come. Rather it is designed solely to review the financial performance of the airport system and to make suggestions based on only the current operation of the system – not potential new revenue generators that will be vetted in the County's final strategic plan.

In on-site interviews a number of those interviewed said that fiscal oversight of the aviation system has been poor, largely due to the limited staff and the number of sub-departments Public Works must oversee. Generally, most of those interviewed believed Public Works' only solution to airport system budget problems have been to continue to impose cuts rather than thinking of ways to make investments to grow long-term revenue.

The majority of County Supervisors interviewed for this report said they have a commitment to keep the airport funded even if it takes money from the general fund. The feeling, in interviews, was that the airport system is sufficiently important to the regional economy to warrant additional investment.

> "THE MAJORITY OF COUNTY SUPERVISORS INTERVIEWED FOR THIS REPORT SAID THEY HAVE A COMMITMENT TO KEEP THE AIRPORT FUNDED EVEN IF IT TAKES MONEY FROM THE GENERAL FUND."

The airport system in Humboldt County is not currently self-sustaining. As an enterprise fund, it should run as a business, with little taxpayer aid. That is not currently possible, but trends are encouraging. Costs have been cut to a bare minimum – perhaps too far, one could argue. At the same time, most major revenue centers are generating increased income. The system has significant land holdings and lease holdings that will prove to be future assets. But the six airports are spread over a wide area and require time to manage and maintain. Time that the current system employees simply do not have.

Arcata-Eureka Airport(ACV) has advantages over its peers in many areas of this financial analysis, illustrating the airport and the County system have a strong financial footing from which to improve operational performance. For example, ACV is a cheaper airport for airlines to operate in and out of than three of the other

peers, helping to ensure airlines can be profitable serving the market. The peer analysis shows Arcata-Eureka Airport has done a good job of reducing expenses, albeit on the back of severe personnel cuts, while increasing revenue in key areas. The airport system will need to leverage its revenue generating activities in order to hire the staff needed to further develop business and new revenue streams.

It is clear airport system staff has been cut to a bare minimum in order to reduce system expenses. But the lack of staff has caused the system to lean on its parent department, Public Works, to cover a significant amount of work that would otherwise be done by airport system employees. Specifically, in fiscal year 2016, the airport system paid Public Works:

> $273,756 in total charges;
> $98,753 for "extra" staff time because it did not have sufficient staff hours to accomplish tasks;
> $97,643 for "expert" staff time that fell outside the expertise of those within the aviation system but is within the expertise of Public Works, such as engineering and architecture;
> $59,771 to maintain the airport's vehicle fleet which was donated to Public Works and mandated to be maintained by Public Works in 2012.

The County should consider the true cost of the staffing cuts (from 19 employees in 2012 to just 12 positions today). Hiring an airport manager and an additional airport service worker would provide the County with a total net benefit of more than $90,000, in direct savings from current Public Works costs. While $90,000 won't pay for both positions, there will be additional benefits from adding these positions by freeing other staff time to work on business development and revenue enhancement projects, further strengthening the system's bottom line.

In order to reduce expenses, the County must also consider the unique role of each airport within the system. Current accounting shows the secondary airports cost little to operate. But that is because most staff costs

associated with operating those airports are allocated to the County's flagship, Arcata-Eureka Airport (ACV). It is impossible, in independent analysis, to develop the true cost of operation of each of the secondary airports. And while some have vital roles in the County, others are rarely used – at least by fixed wing aircraft. The strategic business plan will address potential airport closure in more detail.

While the budget appears to offer some small ways to generate savings, it is clear the Humboldt County airport system operates at near the lowest possible cost. Much of the budget balancing will have to come from activities to generate new revenue and grow current revenue. This analysis has found several options for increasing current revenue, including:

> Standardize lease rates by airport and by type of lease;

> Review the amount County agencies pay for their land and building leases on airport system property, or somehow credit the airport system for the savings it provides the County by providing land and buildings to County agencies at below-market rates;

> Review the current Fixed Base Operator (FBO) lease agreement and ensure it is fair based on comparison to regional peer airports – the lease has not been negotiated since 2005;

> End the contract with Republic Parking for the management of the ACV passenger vehicle parking and install an automated parking system:

    o The County retains just 58% of current parking revenue, paying Republic almost $391,000 over the last two years in management fees;

    o The County could pay for an automated system in just two years based on the revenue it would retain by operating the system itself;

    o The contract with Republic Parking expires in 2021;

> Develop a sensitivity analysis for increasing passenger vehicle parking fees, to bring fees in-line with regional peer airports.

The County has an opportunity to grow airport system revenue based on how it decides to approach these revenue issues. It is evident from the budget analysis other County agencies receive benefits from low lease rates and there is room to retain more revenue from non-County current income generators.

While the airport system budget is officially balanced in fiscal year 2016-2017, the system is still drawing upon a previous loan to achieve said balance. The combined savings and conservative additional revenue estimate from bringing more work in-house, taking over parking, and increasing lease rates for some County tenants could exceed $400,000 per year. This could be enough to help balance the airport system budget.

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AVIATION SYSTEM OVERVIEW AND MISSION

The Humboldt County Aviation System includes six airports spread from the center of the County to its south and east borders (refer to map 1). The flagship of the system is California Redwood Coast Humboldt County Airport, also known as Arcata-Eureka Airport and its three-letter code of ACV. ACV is the County's commercial service airport, with daily flights to Portland on PenAir and San Francisco on United Express, operated by SkyWest Airlines. The County's aviation system assets are unique in that, for a County with a population of 136,000 people, there is significant aviation infrastructure and airports.

To that point, nearby Shasta County, California, with a population of 180,000, has three public use airports. To the south, San Luis Obispo County, with a population of 281,000 also has three public use airports operated by the County. The only counties in California with as many public use airports as Humboldt County are located in California's major metro areas.

Humboldt County is relatively isolated with more difficult geography, than most other counties within California. In some cases, the County states that its airport system provides access to services for rural residents, allowing their economies to survive in the interconnected world.

MAP 1: HUMBOLDT COUNTY AIRPORTS
MAY 2017; SOURCE: HUMBOLDT COUNTY

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ACV
CALIFORNIA REDWOOD COAST
HUMBOLDT COUNTY AIRPORT

EKA
MURRAY FIELD

KNE
KNEELAND AIRPORT

ROH
ROHNERVILLE AIRPORT

DIN
DINSMORE AIRPORT

GAR
GARBERVILLE AIRPORT
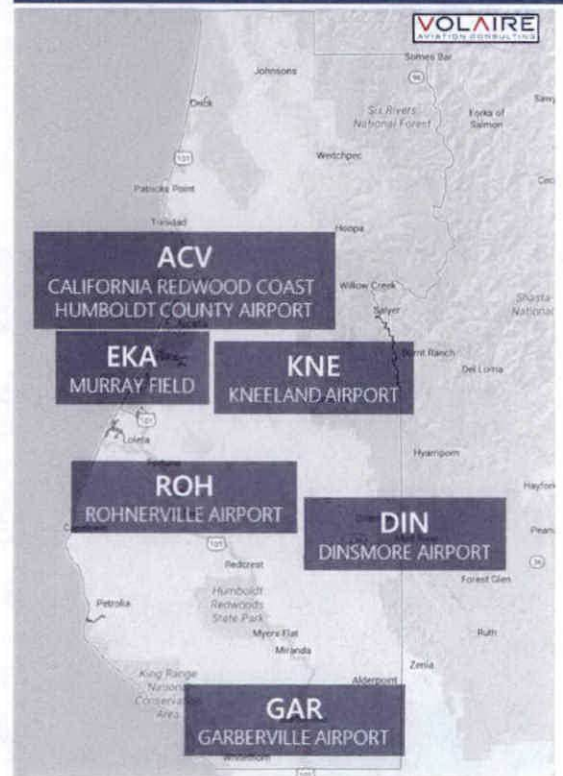
The Aviation Division is a sub-department of the County's Public Works Department, which also oversees many of the County's basic services such as parks, roads, and other public facilities. Public Works oversees seven divisions in total. The Aviation division has just 12 employees who manage and operate the County's six airports, which are spread over a huge area – as far as 82 miles apart. The Public Works Department defines the mission of the Aviation Division as:

> "The Aviation Division is responsible for managing six County airports in a manner that ensures aeronautical safety, safety of the traveling public, continued air service, and complies with federal, state and/or local aviation rules, regulations and advisories."

The mission represents an immense job for just 12 employees, but it does not define any goals relative to running the Aviation Division as a business. The Aviation Division is an enterprise fund, meaning it has a goal of operating as a self-sustaining business. However, that goal is not found in the division's mission. In fact, a cursory overview of the division's budget would indicate it does not run like a business rather like a public service funded by taxpayers. The airports in Humboldt County certainly are a public service, but they should also have a businesslike mission to, at the very least, breakeven.

Each of the six airports has a specific mission, as defined by the County. While two of the airports facilitate passenger and cargo movement, the others facilitate transport between remote parts of the County and urban centers. The others are also critical in wildland firefighting efforts, medical transportation, and even film and television production.

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ACV
CALIFORNIA REDWOOD COAST HUMBOLDT COUNTY AIRPORT

California Redwood Coast Humboldt County Airport, also known as Arcata-Eureka Airport, is the flagship property of the Humboldt County Aviation System. It is classified by the Federal Aviation Administration (FAA) as a primary commercial service airport. It is also designated as an international Port of Entry. The Airport has current airline service on PenAir, to Alaska Airlines' Portland hub, and United Express, operated by SkyWest, to United Airlines' San Francisco hub. The Airport serves 140,000 annual passengers, or an average of 70,000 enplanements. The Airport's main mission is to serve the region with scheduled airline service, and its secondary mission is to serve as a base for the Coast Guard.

The Airport serves a crucial role as the site of the command center for the US Coast Guard's Air Station Humboldt Bay. The Coast Guard provides Pacific Ocean rescues and law enforcement for the area from San Francisco north to the Oregon border from the Airport location.

The Airport covers 745 acres. Its elevation is 222 feet above mean sea level. It has two asphalt runways (refer to map 2). The Airport's main runway, 14/32, is 6,085 feet in length and 150 feet in width, with the ability to

MAP 2: CALIFORNIA REDWOOD COAST HUMBOLDT COUNTY AIRPORT
MAY 2017; SOURCE: HUMBOLDT COUNTY
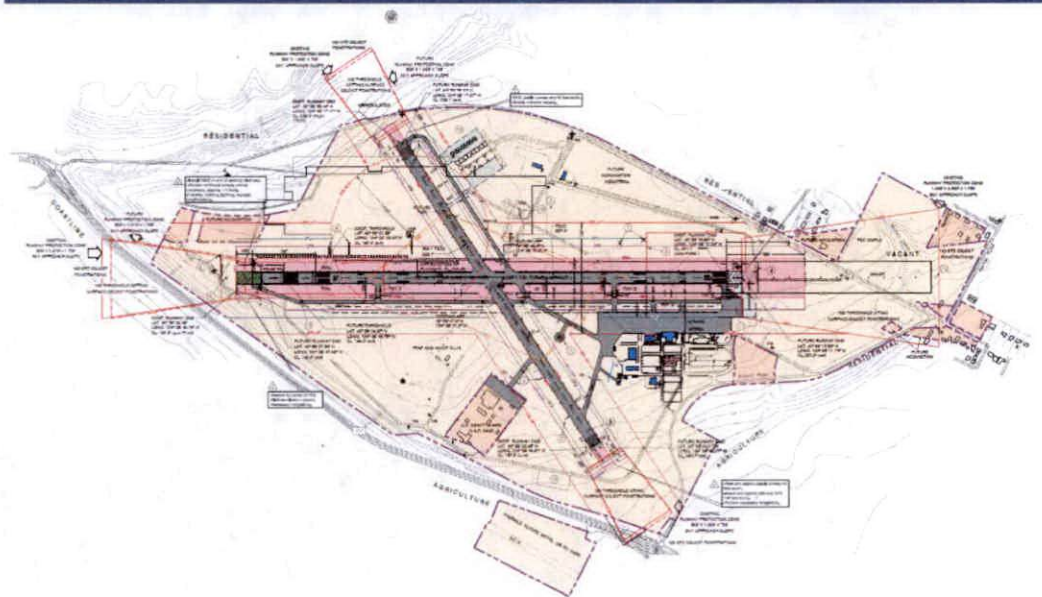
host service from most regional aircraft. The Airport's secondary runway, 1/19, is 4,499 feet in length and 150 feet in width.

As of the year ended May 2016, the Airport saw 42,000 operations (defined as either a takeoff or a landing), according to FAA statistics. Air carrier operations represent 14% of all operations and totaled almost 6,000 for the same period. Military operations make-up over half of the activity at the Airport, with almost 26,000 operations, as of the year ended May 2016.

Just 11 aircraft are based at California Redwood Coast Humboldt County Airport, including nine single engine planes and two multi-engine planes, according to the FAA's registry as of the writing of this report. Four of the 11 based aircraft are owned and operated by the US Coast Guard.

EKA
MURRAY FIELD

Murray Field is located just three miles from Eureka. It serves as a public airport, with primary traffic from general aviation and air cargo. Murray Field is the busiest airport in Humboldt County, in terms of aircraft operations, with 55,500 takeoffs and landings as of the most recent available FAA data (calendar year 2014). Murray Field also has more based aircraft than any other airport in the County, with a total of 47 according to the most recent FAA aircraft census.

MAP 3: MURRAY FIELD
MAY 2017; SOURCE: HUMBOLDT COUNTY

Murray Field covers 131 acres and is just seven feet above mean sea level. It has just one runway, as its secondary runway was closed in 1997. The main
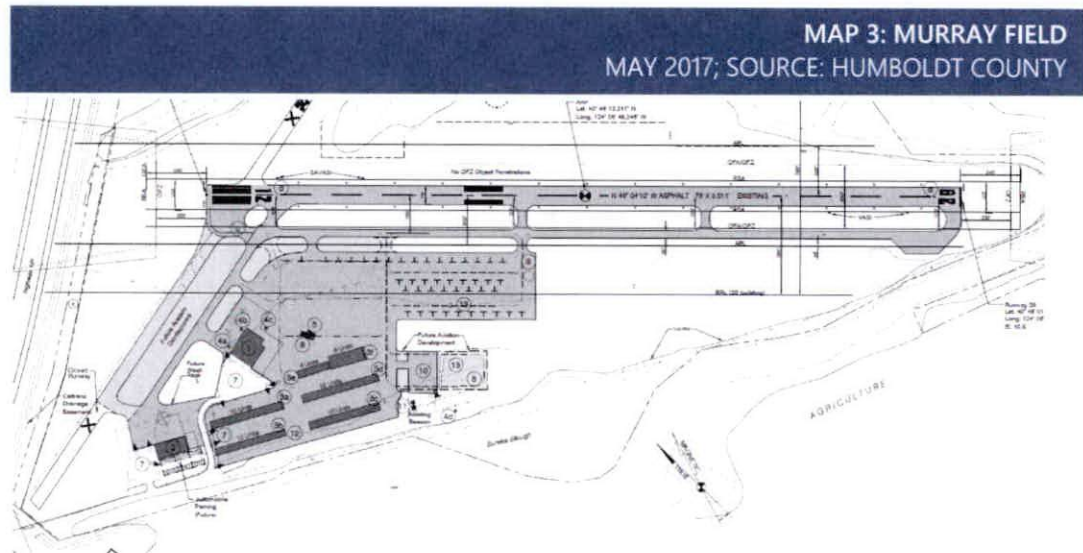
runway, 12/30, is 3,011 feet in length and 75 feet in width (refer to map 3 on previous page). While this length and width is sufficient for the majority of general and transient aviation operations, and small aircraft air cargo operations, it is not sufficient for most jet operations and it would not be suitable for use by any air carriers.

Murray Field is an important part of the County's Aviation System as it is the sole base of operations for FedEx Express' Cessna Caravan air cargo operation. It is also the only airport in the County with full service aircraft maintenance on-site. Murray Field contains a Civil Air Patrol base and the County's main flight school.

Roughly two-thirds of aircraft traffic at Murray Field is local general aviation aircraft that are based on the field according to the most recent data published by the FAA. A little less than 30% of traffic is transient general aviation, which includes aircraft based elsewhere flying either to Humboldt County, or transiting through the airport on their way to another destination. A small percentage of traffic is generated by FedEx Express and the Civil Air Patrol.

O16
GARBERVILLE AIRPORT

Garberville Airport serves as a base for air commuters. It is located just two miles from the center of Garberville, covering 44 acres. The airport has just one runway, 18/36, which is oriented due north/south (refer to map 4).

That runway is 2,783 feet in length and 75 feet wide, which is sufficient for the general aviation traffic it serves.

MAP 4: GARBERVILLE AIRPORT
MAY 2017; SOURCE: HUMBOLDT COUNTY
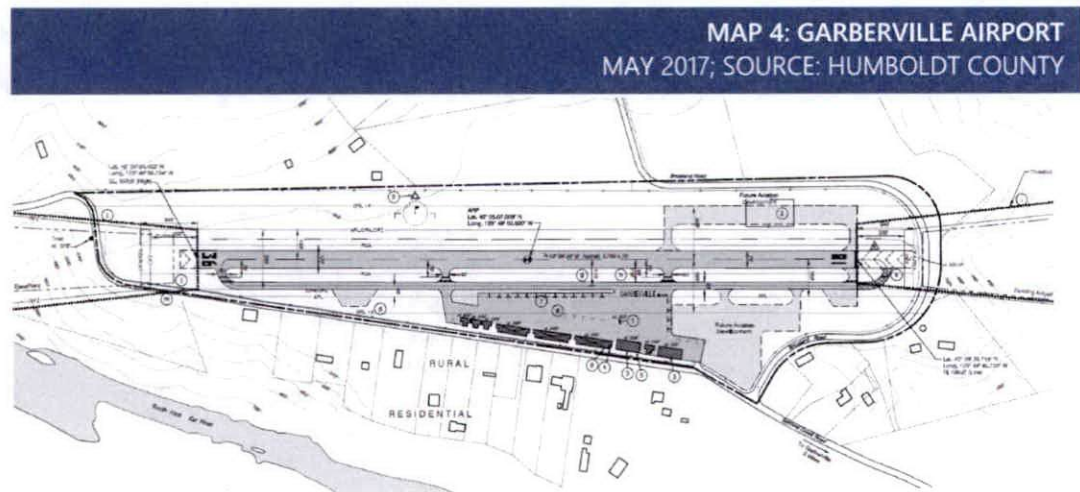
According to FAA data from calendar year 2015, which is the most recent data available, Garberville Airport saw 16,500 total aircraft operations. A little more than half of those operations or 55% - were local general aviation while the remainder were transient general aviation. Garberville Airport is home to 18-based aircraft according to the FAA's census at the time of the writing of this report. 17 of the 18-based aircraft were single engine with one aircraft being multi-engine.

FOT
ROHNERVILLE AIRPORT

Of Humboldt County's general aviation airports, Rohnerville Airport has the longest and widest runway that can be used by larger general aviation aircraft. It is located three miles southeast of Fortuna, covering 541 acres,

which is the largest physical plant of the County's general aviation airports, and 70% the size of Arcata-Eureka Airport's physical plant. The Airport's single runway, 11/29, is 4,005 feet in length and 100 feet in width (refer to map 5).

MAP 5: ROHNERVILLE AIRPORT
MAY 2017; SOURCE: HUMBOLDT COUNTY
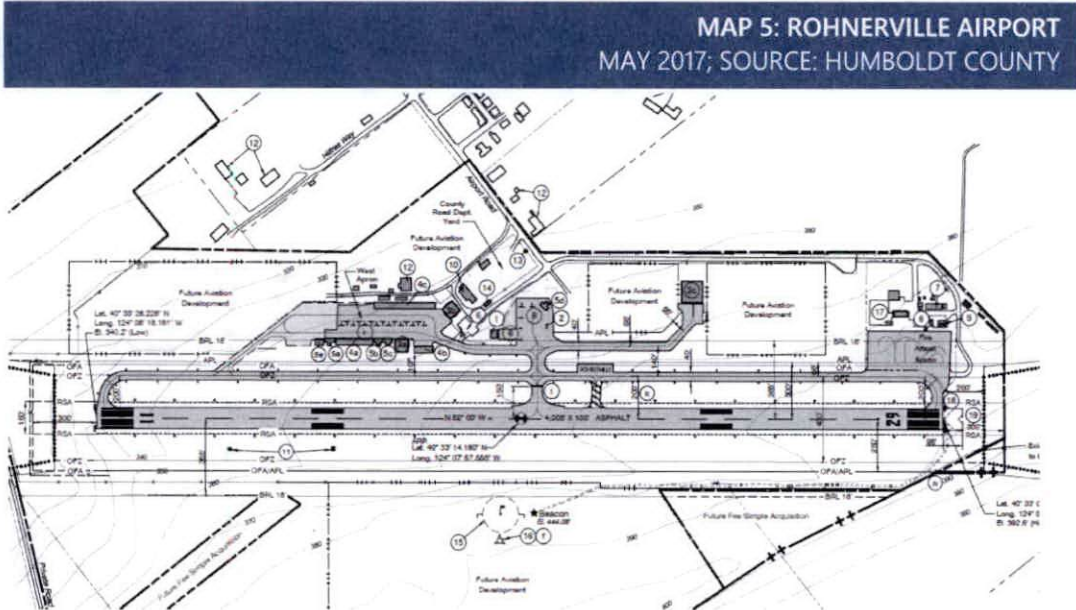
Despite the Airport's size, it saw just 27,500 total aircraft operations in calendar year 2015, the latest available year for FAA data. The airport, as of the most recent FAA aircraft census, is home to just nine based aircraft, with eight of those aircraft being single engine.

Arguably, the Airport's most important role is that of a Cal Fire base. Cal Fire has two based air tankers at Rohnerville, along with offices and its regional operations center. The Airport is critical to northern California's wildland firefighting efforts.

The Airport is also unique in that its physical plant is maintained by work crews of inmates supervised by the Humboldt County Sheriff's Office. The work program provides the Airport with landscaping, facility maintenance, and other odd jobs, although tenants believe the work program does little to help maintain the physical plant.

O19
KNEELAND AIRPORT

Kneeland Airport is the smallest, physically, of all Humboldt County airports, covering just 14 acres. It has one runway, which is quite narrow, at just 50 feet in width and 2,252 feet in length (refer to map 6). Kneeland's advantage is that it is located atop a mountain ridge at 2,700 feet in elevation (above mean sea level), keeping it out of the coastal fog. It is an alternate airport for general aviation traffic bound for the County's other airports in low visibility.

MAP 6: KNEELAND AIRPORT
MAY 2017; SOURCE: HUMBOLDT COUNTY
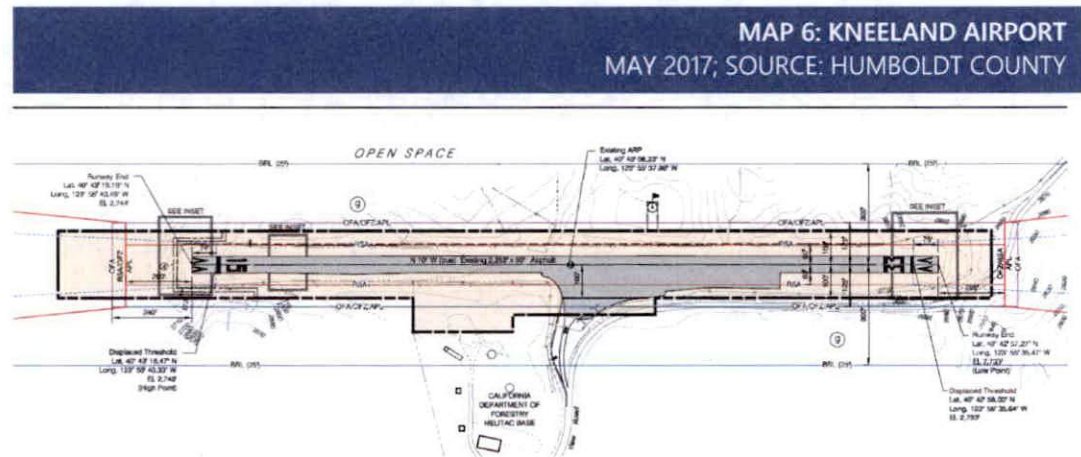
The California Department of Forestry uses Kneeland Airport as a base for monitoring wildland fire starts, as its location at ridgetop gives it unparalleled line of sight – but does not use its aviation facilities. The Department of Forestry operates a Helitack helicopter base adjacent to the field, but does not use the actual runway.

Kneeland has no based aircraft, according to the FAA's aircraft census completed before the writing of this report. It saw 7,000 operations in calendar year 2016, the most recent year for which the FAA reported the data.

Kneeland only has one significant user of its aviation facilities on a regular basis – the US Coast Guard. The Coast Guard uses the field for helicopter operations when there is low visibility at its ACV base. The Coast Guard does not, however, use the airport's runway.

Kneeland has recently been used as a location and set for television and film production, due to its picturesque setting. This line of business could grow in the future as more productions are shot outside of Hollywood and southern California.

D63
DINSMORE AIRPORT

Dinsmore Airport is an infrequently used general aviation airport located one mile from Dinsmore. The Airport, according to the FAA survey, has just one based aircraft, which is an ultra-light. It is not frequently used by general aviation, with just 1,600 total operations per year.

MAP 7: DINSMORE AIRPORT
MAY 2017; SOURCE: HUMBOLDT COUNTY

The Airport has one runway, which is 2,510 feet in length and only 48 feet wide, limiting its usefulness for anything
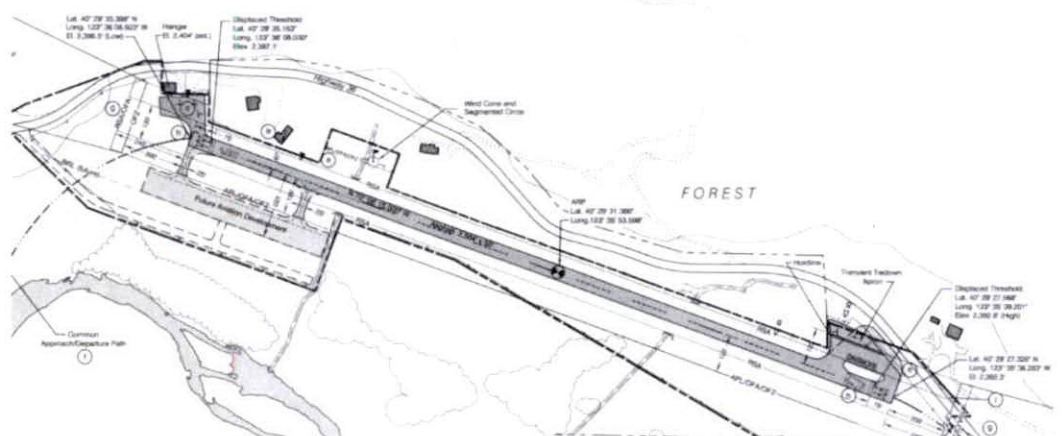
larger than a single-engine aircraft (refer to map 7 on previous page). The Airport is used most frequently by

helicopters, as hospitals use it as a medivac point. The runway is not needed for medivac operations.

BUDGET ANALYSIS

The Humboldt County Airport System budget is tied to the budget of the Public Works Department, under which the airports are managed. Most budget items are allocated to Arcata-Eureka Airport, as it is the flagship of the system and the airport that generates almost all of the system's revenue. The budget is balanced for fiscal year 2017, but that has been accomplished mainly through cost-cutting. The entire airport system is operated by just 12 staff members, and without an airports division manager.

In analyzing the budget it is important to remove the operating revenue and costs from one-time costs and revenue. While one-time revenue, mostly in the form of grants, is important to the airport system in the form of funding to cover major capital projects, it is developed on an as-needed basis. The operating

FIGURE 1: AVIATION DIVISION OPERATING REVENUE
FISCAL YEAR 2007 – FISCAL YEAR 2016; SOURCE: HUMBOLDT COUNTY

Year	Revenue
2007	$2,429,886
2008	$2,618,802
2009	$2,664,775
2010	$2,646,911
2011	$3,289,237
2012	$2,991,453
2013	$3,053,871
2014	$2,605,913
2015	$2,347,122
2016	$2,436,398
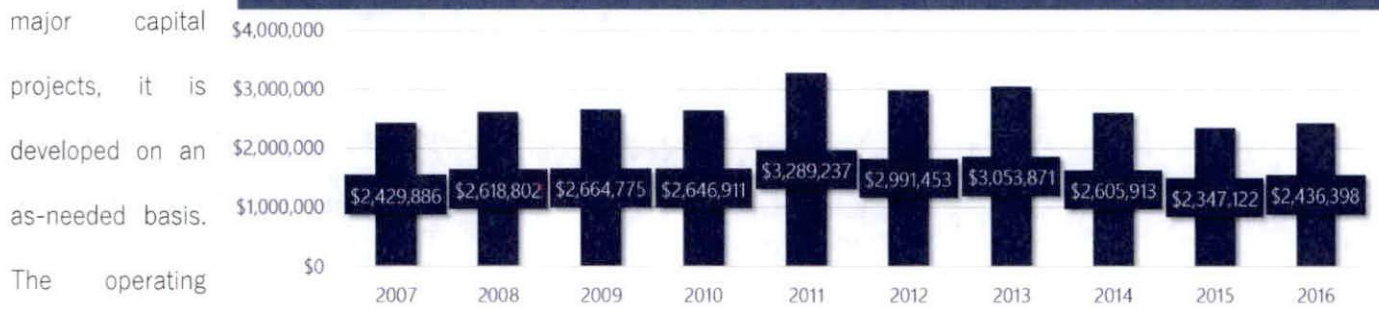
revenue and operating costs generated by the system are the true indicator of the financial health of the system.

The airport system's operating revenue, excluding revenue from one-time grants and revenue used to cover one-time capital projects, has declined by 26% since 2011 (refer to figure 1), a loss of almost $853,000 per year in operating revenue. The system's peak revenue neared $3.3 million per year in 2011. Current operating revenue is only marginally higher than 2007 revenue. Operating revenue did increase slightly from 2015 to

2016, and is forecast to increase again in 2017, highlighting some positive trends in revenue generation that will be outlined later in this report.

One of the reasons for the decline in operating revenue has been the loss of air service at Arcata-Eureka Airport. Delta Connection service to Salt Lake City ended in 2010, while Horizon Air, operating as a connection to Alaska Airlines, ended flights in 2011. The loss of these carriers caused passengers to decline from a ten-year high of more than 206,000 in 2007 to just 102,000 in 2014 (refer to figure 2). Passengers have started to rebound from the low point, with United Express now using larger jets to San Francisco and PenAir adding non-stops to Portland. In the last two years, passengers have increased by 26%.

FIGURE 2: PASSENGERS AT ARCATA-EUREKA AIRPORT (ACV)
YEAR ENDED THIRD QUARTER 2007 – 2016; SOURCE: US DOT TABLE
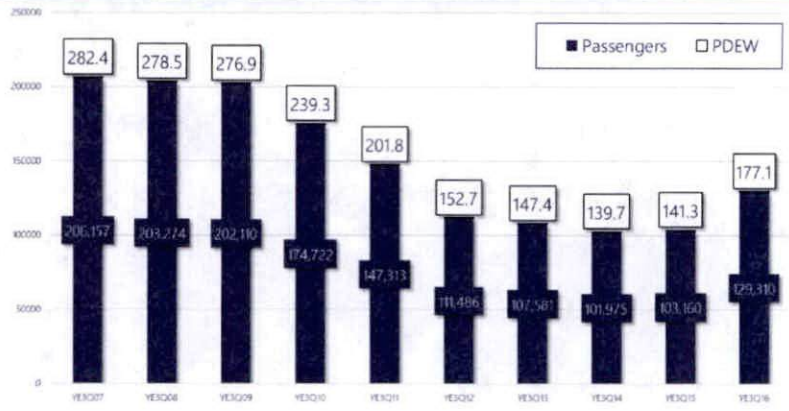
While airport system operating revenue declined, its operating expenses have been increasing over the last decade (refer to figure 3). Total expenses to operate the airport system topped $4.5 million in fiscal year 2016 according to Humboldt County records. Operating expenses are up 87% in the last decade, but the trend is not uncommon in airport systems around the country as facilities

FIGURE 3: AVIATION DIVISION OPERATING EXPENSES
FISCAL YEAR 2007 – FISCAL YEAR 2016; SOURCE: HUMBOLDT COUNTY

age and as more stringent security protocols have been put into place.
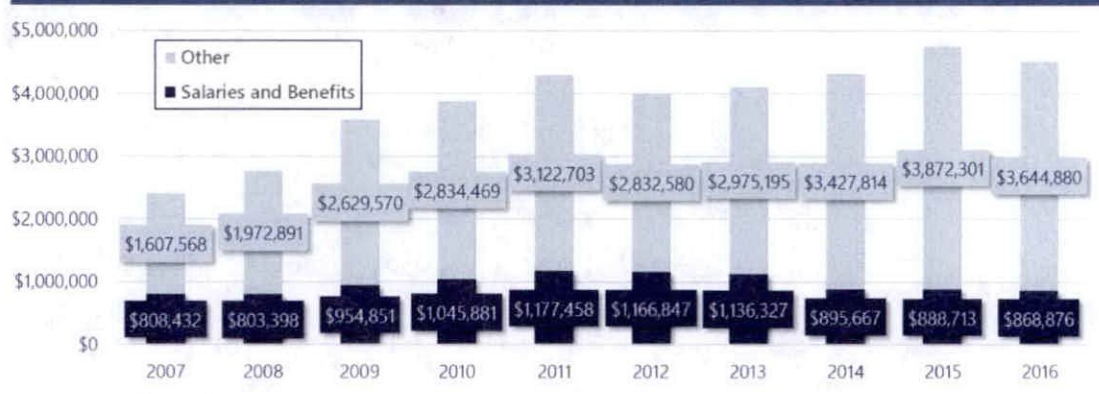
Of key interest within operating expenses is the cost of salaries and benefits. Benefit costs have been quickly rising for virtually all government agencies in California as health care and retirement payments have risen exponentially. But the airport system's salary and benefit costs have only increased by 8% in the last decade (refer to figure 3 on previous page). In fact, the airport system has seen its salary and benefit costs decrease by 26% since 2011. This decrease, while good for the budget, has caused difficulties for the system. While the system used to have 19 full-time employees, including a full-time manager, it has had seven of its positions frozen in an effort to balance its budget. Just 12 employees are charged with operating the system, with no leadership from a full-time manager. This stretches the system's employees exceptionally thin, and doesn't provide enough staff time for any focus on increasing revenue – the only focus is on keeping the system operational.

The aviation division has seen sustained operating losses for the last five fiscal years, and seven of the last eight

FIGURE 4: AVIATION DIVISION OPERATING PROFIT/LOSS
FISCAL YEAR 2007 – FISCAL YEAR 2016; SOURCE: HUMBOLDT COUNTY
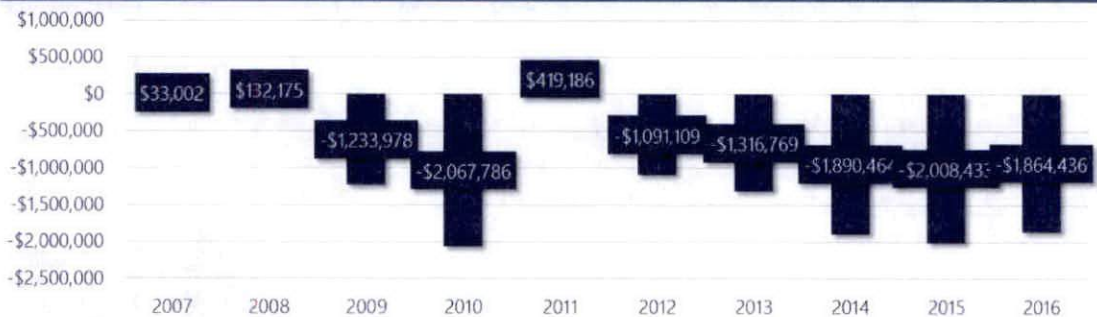
fiscal years (refer to figure 4). In each of those years, the system lost more than $1 million operationally, with one loss topping $2 million. Again, it is important to analyze the operating profit/loss as the ultimate target for the airport system will be operational sustainability and self-sufficiency. While the total loss in each of these fiscal years is less than the operational loss, the operational loss is the key financial metric to overcome through future structural and strategic business changes.

As mentioned, the County allocates much of the expense of operating the airport system to Arcata-Eureka Airport, as that is where the entire airport system staff is based, and as ACV is the source of most of the system's operating revenue. However, this budgeting system does not allow for an analysis of the true operating

costs of each of the airports within the system – it appears as though the smaller general aviation airports cost virtually nothing to operate. Of the total 2017 fiscal year operating budget of the airport system, 92% is allocated to operating ACV, or almost $3.1 million of the $3.4 million total (refer to figure 5). Murray Field's total operating budget is second, but represents just 4% of the airport system's budget. No other airport represents more than 2% of the operating budget. And yet these airports all require significant time from the limited airport system staff.

FIGURE 5: BUDGET BY AIRPORT
FISCAL YEAR 2017; SOURCE: HUMBOLDT COUNTY

Rohnerville, $71,342
Garberville, $59,820
Kneeland, $3,529
Murray Field, $138,852
Dinsmore, $5,255
Arcata-Eureka, $3,089,966

The Public Works Department does "charge back" time logged as spent at each airport to each airport's budget line-item. However, there is time spent from offices at ACV working on projects at other airports that never gets allocated back to the smaller airports – and instead is reflected in ACV's overall cost. It is, in fact, impossible to know how much the other airports costs because the airport system staff works on many different projects in the course of each day – and it would be nearly impossible for staff to allocate its time by the minute to each airport properly. The conclusion is that the smaller airports are actually much more expensive to operate than the budget would reflect.

FIGURE 6: ACV'S OPERATING PROFIT/LOSS
FISCAL YEAR 2012 – FISCAL YEAR 2016; SOURCE: FAA FORM 127

-$485,851
$52,028
-$1,239,339
-$392,080
$152,045

2012   2013   2014   2015   2016

When these individual airport budgets are compared to the Federal Aviation Administration (FAA) operating budget for Arcata-Eureka Airport, itself, it is clear the smaller airports in the system have a greater financial impact on the system's operation than their individual budgets indicate. In fact, the official FAA operating budget for ACV shows an operating profit of more than $150,000 in fiscal year 2016 (refer to figure 6), while the County's budget shows an operating loss of almost $1.9 million for the system. It is not clear, specifically,

with the way the County's airport budget is allocated relative to how the FAA reviews operational budgets, why the discrepancy is so large. But it is apparent the FAA is not allocating costs to ACV that the County decides to allocate to the largest of its airports.

Underscoring the difficulty in truly determining operating cost by airport within the system is the fact the FAA reports operating costs at Arcata-Eureka Airport are declining, while the County's budget shows them increasing. In the last two years, the FAA budget report for ACV shows

FIGURE 7: ACV'S OPERATING COST
FISCAL YEAR 2012 – FISCAL YEAR 2016; SOURCE: FAA FORM 127

operating costs down almost 42% (refer to figure 7). At the same time, County budgets show the airport system's costs have increased by 6%. If ACV's operating costs are decreasing according to budgets filed with the FAA, but the airport system costs are increasing, it is fair to conclude that the other airports within the system are costing more to operate.

The FAA budget filings break down operational revenue by bucket, making it easy to analyze the performance of an airport. FAA budget filings are only published for airports with scheduled airline service. They are only valuable for analyzing the financial performance

FIGURE 8: ACV'S REVENUE BY SOURCE
FISCAL YEAR 2012 – FISCAL YEAR 2016; SOURCE: FAA FORM 127

of Arcata-Eureka Airport. The FAA budget shows ACV's overall revenue per passenger has increased almost 14% in the last five years (refer to figure 8). Passenger revenue is generated habitually through parking fees and rental car fees. The FAA budget shows parking fee revenue has increased by 33% in the last five years

while rental car revenue has increased by almost 20% in the same period. Similarly, but unrelated to airline

passengers, ACV's land lease revenue is up 155% in the last five years. Revenues at ACV are up in all major

categories, according to the FAA's financial analysis of Arcata-Eureka Airport, verifying the airport has done a good job in growing revenue, paired with deep cost-cutting.

In the case of airports with scheduled passenger airline service, it is important to understand costs and revenue on a

FIGURE 9: ACV FINANCIAL ANALYSIS BASED ON ENPLANEMENTS
FISCAL YEAR 2012 – FISCAL YEAR 2016; SOURCE: FAA FORM 127

AIRLINE COST/ENPLANEMENT

	2012	2013	2014	2015	2016
	$4.79	$4.96	$5.55	$3.39	$4.21

12.1%

REVENUE PER ENPLANEMENT

	2012	2013	2014	2015	2016
	$6.56	$9.51	$8.88	$11.22	$9.72

48.2%

PARKING PER ENPLANEMENT

	2012	2013	2014	2015	2016
	$2.94	$3.83	$3.62	$4.48	$5.10

73.5%

PERSONNEL COST/ENPLANEMT

	2012	2013	2014	2015	2016
	$16.21	$17.99	$15.82	$17.13	$15.75

2.8%

per passenger basis. Generally, analysts review airline costs, personnel costs, and revenue on a "per

enplanement" basis, or those costs and revenues divided by the number of passengers enplaned – or boarding

a flight – at that airport. Arcata-Eureka Airport's key indicators are all trending in the right direction on a "per

enplanement" basis.

The airport's airline cost per enplanement, or the amount airlines pay the airport for each enplaned passenger,

has gone down by 12% in the last five years, to an average of $4.21 (refer to figure 9). Airlines allocate capacity

based on the amount of revenue they can generate versus the cost of operation. ACV has been able to leverage

its low airline cost for additional capacity with both United and PenAir in the last two years – and it ought to

endeavor to keep airline costs low as it works to recruit additional service.

The airport has also been able to reduce its personnel costs to $15.75 per enplanement, down nearly 3% in the

last five years (refer to figure 9). It is important to keep in mind these personnel costs include all the employees

of the entire airport system, as all were included in the FAA's budget.
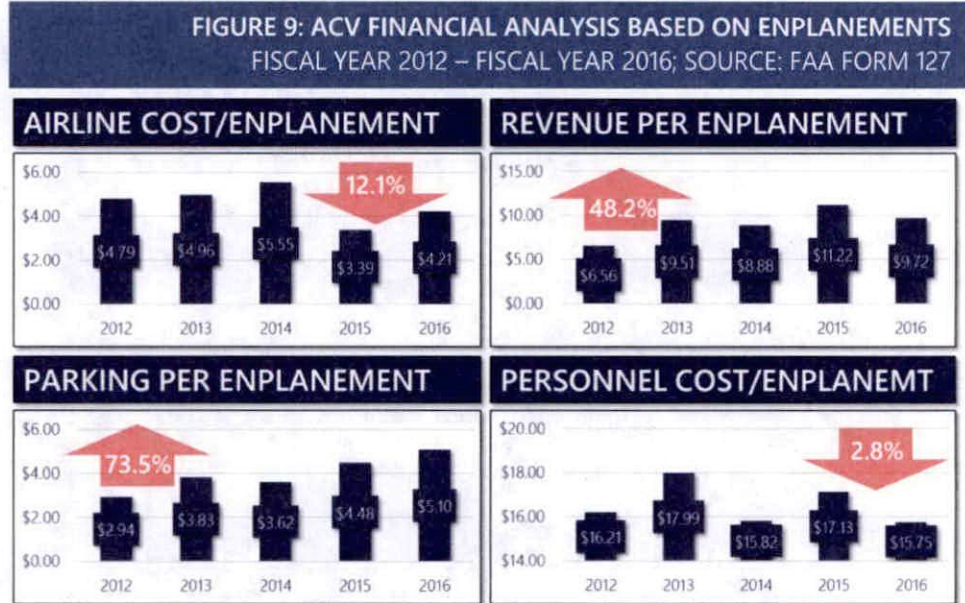
While costs are being reduced, revenue per enplanement is growing. ACV increased its average revenue per enplaned passenger to $9.72 in fiscal year 2016, up 48% in the last five years (refer to figure 9 on previous page). The largest portion of this passenger revenue comes from parking. Parking revenue is up almost 74% in the last five years to an average of $5.10 per enplanement.

These trends are encouraging. It is difficult to uncover the true cost of the operation of the smaller airports within the system. Additionally, there are some areas where financial performance could likely be improved with small changes to the way the system does business. These options will be discussed in later sections of this report.

BUDGET BENCHMARK AGAINST PEERS

Arcata-Eureka Airport stacks up well when compared to peer airports within the region. ACV was compared to a set of airports, based on all of the airports' fiscal year 2016 Federal Aviation Administration (FAA)-filed budgets. Peers include Del Norte County Regional Airport in Crescent City (CEC), Redding Municipal Airport (RDD), Rogue Valley – Medford International Airport (MFR), Sonoma County Airport in Santa Rosa (STS), and Southwest Oregon Regional Airport in Coos Bay (OTH) (refer to map 8). These airports were chosen for comparison because of both their proximity and their scheduled airline service. Only airports with scheduled airline service have their budgets published by the FAA, and comparisons are only valuable if the budgets being compared are structured in exactly the same way.

MAP 8: REGIONAL PEER AIRPORTS
MAY 2017; SOURCE: VOLAIRE AVIATION

OTH
SOUTHWEST OREGON
REGIONAL AIRPORT

MFR
ROGUE VALLEY INT'L
MEDFORD AIRPORT

CEC
DEL NORTE COUNTY
REGIONAL AIRPORT

ACV
CALIFORNIA REDWOOD COAST
HUMBOLDT COUNTY AIRPORT

RDD
REDDING MUNICIPAL
AIRPORT

STS
SONOMA COUNTY
AIRPORT

Arcata-Eureka Airport has advantages over its peers in many areas of our financial analysis, illustrating the airport and the County system have a strong financial footing from which to improve operational performance. For example, ACV is a cheaper airport for airlines to operate in and out of than three of the other peers. Airlines pay ACV an average of $4.21 per enplanement – or per passenger who boards a plane at the airport – which is $3.74 less per enplanement than the regional average of $7.95 (refer to map 9 on next page). Only STS and RDD have lower costs than Arcata-Eureka Airport, helping to ensure airlines can be profitable serving the market.

Arcata-Eureka Airport also operates efficiently compared to peer markets. The personnel cost per enplanement at ACV was $15.75 in fiscal year 2016 (refer to map 10). The average personnel cost in the region was $15.90 per enplanement, with ACV just under the average. Other airports, including MFR, CEC, and OTH have significantly higher costs for employees than ACV. These other airports also have significantly more staff than ACV.

MAP 9: AIRLINE COST PER ENPLANEMENT FISCAL YEAR 2016; SOURCE: FAA FORM 127	MAP 10: PERSONNEL COST PER ENPLANEMENT FISCAL YEAR 2016; SOURCE: FAA FORM 127
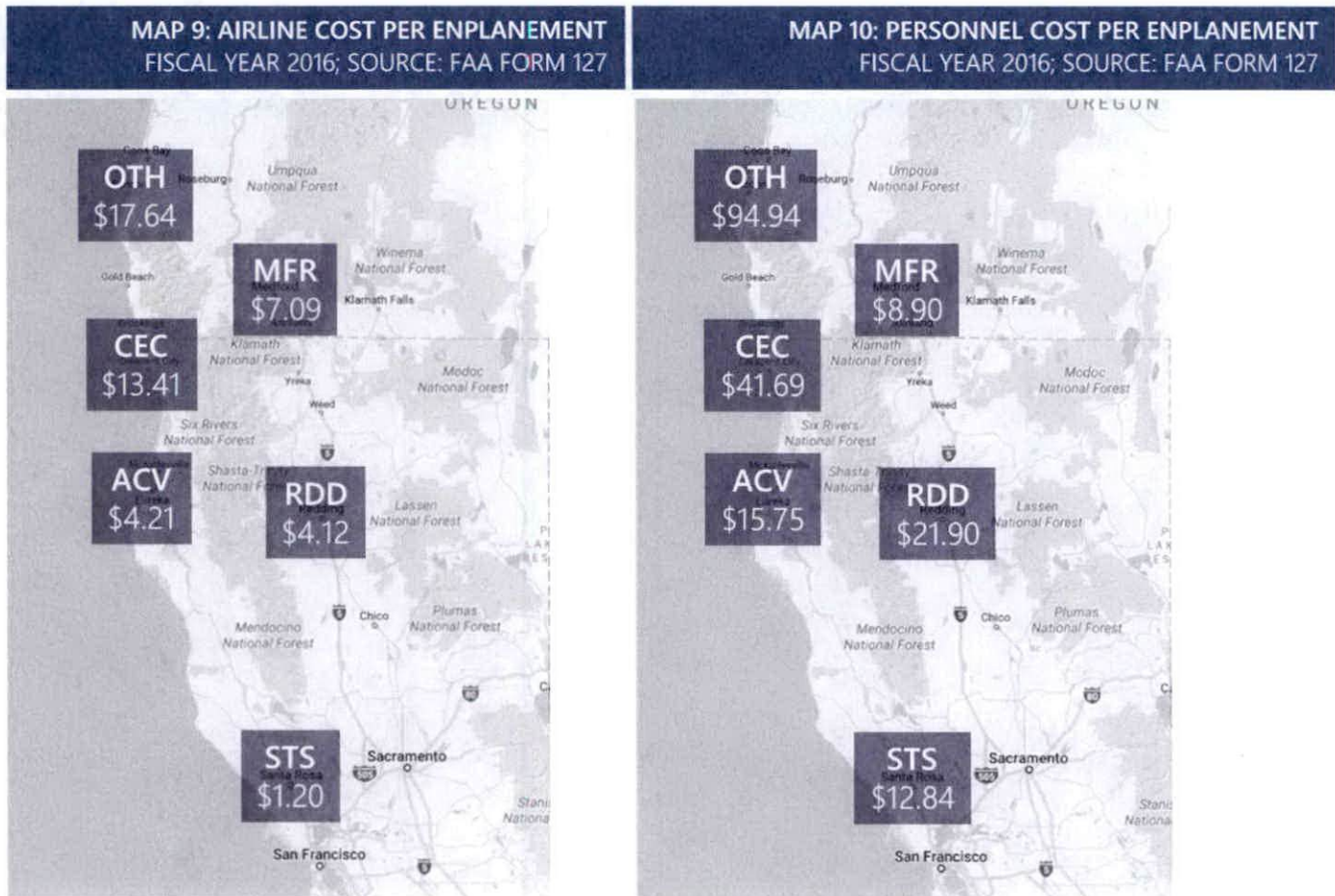
In other areas of comparison, the budget data from peer airports shows potential room for improvement at Arcata-Eureka Airport. ACV earns 14% of its operating revenue from passengers parking their cars at the terminal while they travel (refer to map 11 on next page). The regional peer average airport earns almost 18% of its revenue from parking. STS earns 22% of its operating revenue from parking while MFR earns almost 28% of its revenue from parking.

At the same time, Arcata-Eureka Airport earns $1.40 less per enplanement in parking fees than its regional peer airports. ACV earns an average of $5.10 per enplanement in parking revenue, while the regional average is $6.50 in parking revenue per enplanement (see map 12). Both CEC and OTH offer free parking, but both airports see fewer passengers than ACV. No study has ever been able to illustrate a change in consumer behavior due to the cost of airport parking. Both MFR and STS earn significantly more than ACV in parking per enplaned passenger.

MAP 11: SHARE OF PARKING REVENUE FISCAL YEAR 2016; SOURCE: FAA FORM 127	MAP 12: PARKING REVENUE PER ENPLANEMENT FISCAL YEAR 2016; SOURCE: FAA FORM 127

MAP 11: SHARE OF PARKING REVENUE
OTH 0.1%
MFR 27.7%
CEC 0%
ACV 14.0%
RDD 6.1%
STS 21.8%

MAP 12: PARKING REVENUE PER ENPLANEMENT
OTH $0.10
MFR $7.08
CEC $0
ACV $5.10
RDD $3.01
STS $7.69
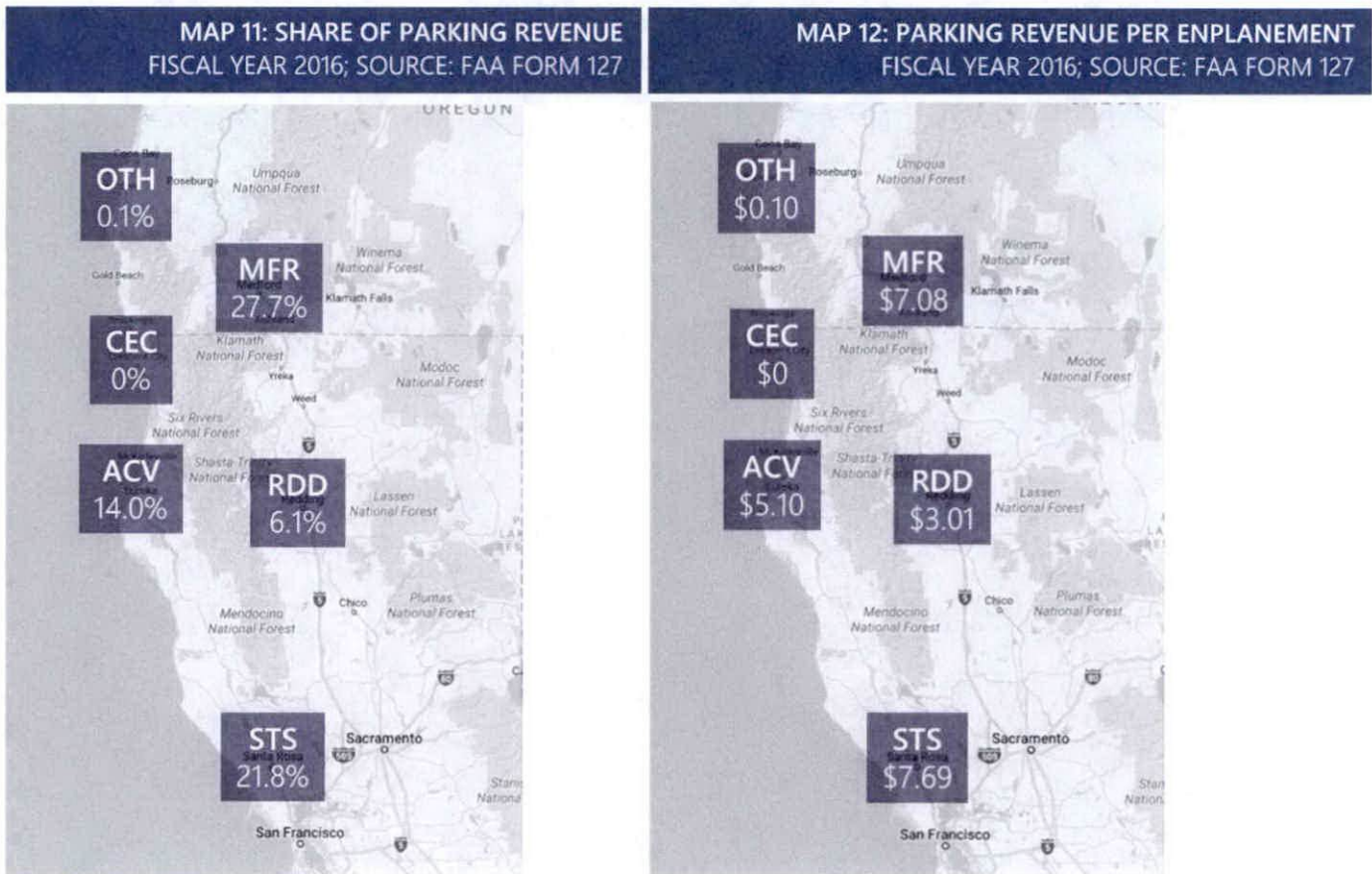
Based on this data, and parking fees currently charged by other peer airports in the region, Arcata-Eureka Airport likely has an opportunity to raise parking fees marginally to generate additional income, without any significant drop off in parking demand. Medford earns almost $2 more per enplanement in parking fees than ACV (refer to map 12) because its long term fee is $1 higher per day than ACV and its short term fee is $4 higher than ACV (refer to map 13). Similarly, Santa Rosa earns $2.59 more in parking fees per enplanement

than ACV (refer to map 12 on previous page) because its short term fee is $3 per day higher than ACV while its long term fee is $1 per day higher (refer to map 13). Even Redding, which earns less parking revenue per enplanement than ACV, has higher parking fees than Arcata-Eureka Airport.

The peer analysis shows Arcata-Eureka Airport has done a good job of reducing expenses, albeit at the expense of severe personnel cuts, while increasing revenue in key areas. The airport system will need to leverage its revenue generating activities in order to grow back the staff needed to further develop business and new revenue streams. Parking fees represent one area where the airport should be able to quickly increase revenue. But it will need additional new revenue to cover the rising cost of operating all six airports in the County.

MAP 13: PARKING FEES BY AIRPORT
FISCAL YEAR 2016; SOURCE: FAA FORM 127

OREGON

OTH
ALL FREE

MFR
SHORT TERM: $15
LONG TERM: $10

CEC
ALL FREE

ACV
SHORT TERM: $11
LONG TERM: $9

RDD
SHORT TERM: $18
LONG TERM: $9

STS
SHORT TERM: $14
LONG TERM: $10
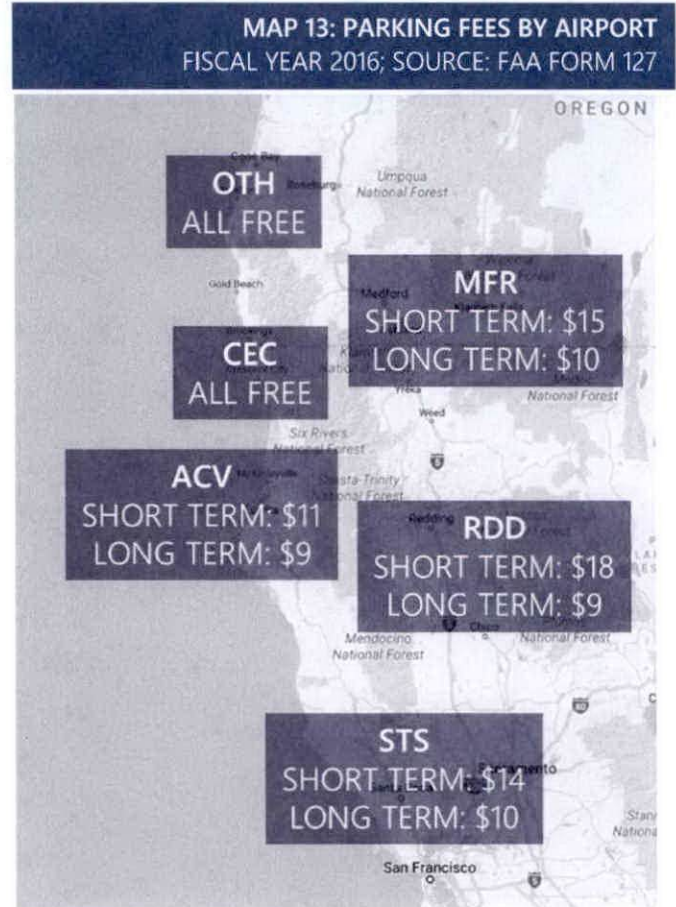
OPTIONS TO REDUCE COSTS

It is apparent airport system staff has been cut to a bare minimum in order to reduce system expenses. But the lack of staff has caused the system to lean on its parent department, Public Works, to cover some work that would otherwise be done by airport system employees. The net effect of this division of labor is that the airport system pays roughly a quarter-million dollars a year to Public Works to cover necessary activities

"...THE AIRPORT SYSTEM PAYS ROUGHLY A QUARTER-MILLION DOLLARS A YEAR TO PUBLIC WORKS TO COVER NECESSARY ACTIVITIES."

The airport system is currently staffed by just 12 full-time employees. The system was previously authorized for a total of 19 employees, but positions have been unfilled for a number of years in order to reduce airport system expenses in hopes of balancing the budget. While staff reductions have saved several hundred thousand dollars per year, they have also cost the airport system a significant portion of revenue in reimbursements to Public Works. Moreover, with limited staff, there is little emphasis put towards the generation of new revenue sources to bolster the budget. The focus, from the perspective of outside analysis, has been on cutting costs to balance the budget rather than working to increase revenue to balance the budget.

An analysis of Public Works charges to the airport system for fiscal year 2016 was completed to determine how much money the airport system is paying to Public Works, how much of the work is in areas of expertise outside the airport system (even if it was fully staffed), and how much of the work is duplicating that of airport system employees (who don't currently have enough time to accomplish all necessary tasks to maintain all airports

within the system). This analysis shows the airport system paid almost $274,000 to Public Works in fiscal year 2016 (refer to figure 10).

The majority of operating expenses, or 60%, the airport system paid to Public Works in 2016 were for the use of what can be classified as "extra staff." This money was paid to Public Works employees to cover jobs normally completed by airport system employees, if those employees had time to complete them. In other words, if the airport system were fully staffed, or even slightly better staffed, it would be expected that airport system employees could accomplish this work within the normal course of the year and that it would not need to be accomplished by employees in Public Works.

FIGURE 10: PUBLIC WORKS CHARGES TO AVIATION
FISCAL YEAR 2016; SOURCE: PUBLIC WORKS DEPT.

Total Charge Summary	
Operating Charges	$151,504
Capital Charges	$44,891
Motor Pool Charges	$77,361
Total Charges	$273,756

In fiscal year 2016, the airport system paid Public Works more than $91,000 for extra staff time from Public Works employees according to the County's operational budget (refer to figure 11). The airport system paid almost $44,000 to Public Works for administrative work and another $20,000 for maintenance of airport facilities. The airport system also paid Public Works more than $27,000 for property management services for several of the airports within the County.

FIGURE 11: OPERATING CHARGES TO AIRPORTS
FISCAL YEAR 2016; SOURCE: PUBLIC WORKS DEPT.

Operating Charge Summary	
Electrical	$5,759
Mechanical	$703
Architecture	$3,552
Construction	$1,839
Environmental	$5,302
Engineering	$10,265
Clerk	$32,077
Other	$920
Maintenance	$20,328
Administration	$43,506
Property Management	$27,254
Total Charges	$151,504

In addition to charges for extra staffing, Public Works charged the airport system more than $60,000 for services that required "outside expertise" (refer to figure 11). These services are sufficiently specialized to the point where it would be uneconomical for the system to retain its own employees in these specialties. These areas of expertise include architecture, engineering, environmental, and electrical, along with the County Clerk's services. The airport system could contract these services to outside firms, but a detailed analysis of the true costs and savings would need to be performed.

If the airport system had a full-time manager – a job which has been left open since 2013 – it would be expected the project manager position could accomplish most of the administration and property management tasks currently outsourced to Public Works.

County data shows the airport system paid Public Works almost $45,000 in fiscal year 2016 for work on capital projects (refer to figure 12). The majority of these charges were for items outside the expertise of airport system employees. However, the administrative expenses paid to Public Works for overseeing airport grants, totaling $7,664 in 2016, would likely be saved if the airport system had a full-time manager.

FIGURE 12: CAPITAL CHARGES TO AIRPORTS
FISCAL YEAR 2016; SOURCE: PUBLIC WORKS

Capital Charge Summary	
Electrical	
Mechanical	$133
Architecture	$2,548
Construction	
Environmental	$44
Engineering	$8,000
Clerk	$26,178
Other	$324
Maintenance	$293
Administration	$7,009
Property Management	$362
Total Charges	$44,891

The airport system paid Public Works a total of $98,753 for administrative, maintenance, and property management staff time in fiscal year 2016. Much of this cost could likely be saved if the airport system had additional staff. Extra staff would also help free-up airport management time for expanded work in business development, air service development, and business analysis, all of which would help to grow revenue. The cost of an airport manager and an additional airport service worker could be partially covered by the savings in this area.

The airport system also pays Public Works for the use of its 38 vehicles, including everything from the trucks it uses to travel between airports to the Oshkosh firefighting truck and to large lawnmowers. In fiscal year 2016, County records show the airport system paid Public Works almost $60,000 in total expenses for the operation of its vehicles (refer to figure 13 on next page).

Before July of 2012, airport system employees maintained their own vehicles and the airport system was responsible for operations of the entire fleet. On July 1, 2012, Public Works moved to merge the system's vehicles into the rest of its fleet, and the County Supervisors approved this move. Public Works' reasoning was that it would be more effective for its employees to maintain the entire fleet, even though most of the airport system vehicles are extremely specialized for their missions – such as the airport firefighting equipment. The move added expenses to the airport budget, but also allowed for

FIGURE 13: MOTOR POOL CHARGES TO AIRPORTS
FISCAL YEAR 2016; SOURCE: PUBLIC WORKS DEPT.

Motor Pool Charge Summary	
Fuel	$102
Depreciation	$17,488
O&M Costs	$59,771
Total Charges	$77,361

Public Works to reduce airport staff that would otherwise be needed to maintain vehicles. However, it must be noted, only a fraction of the time of one employee would be required to maintain all airport vehicles, based on how much the airport system currently pays Public Works for the labor required for vehicle maintenance.

O&M (operations and maintenance) charges paid to Public Works by the airport system totaled almost $60,000 in 2016 (refer to figure 13). A significant portion of these payments to Public Works could be eliminated if the airport system's fleet was brought back under its control, assuming its airport service workers had the time to perform maintenance on the vehicle fleet.

Another option to reduce the expense of the airport system is to close or abandon one or more of the County's six airports. It is difficult to gauge the true cost of operating each of these airports, as the County budget places most of the cost of staff on the Arcata-Eureka Airport budget. However, the County's own accounting shows the smaller airports do come at some expense.

For example, the fiscal year 2016-2017 budget, provided by the County, shows a total cost of nearly $60,000 to operate Garberville Airport; a total cost of $5,300 to operate Dinsmore Airport; and a total cost of $3,529 to operate Kneeland. At these costs, it is clear little staff time is being devoted to these airports. But the smaller airports could come with large capital price tags in the future as their infrastructure deteriorates.

It is not the goal of this document to recommend strategic closures of airports. But that issue will be analyzed in the upcoming full strategic plan for the system. This document merely points out the fact that smaller airports might not be sustainable to the County over the long term.

OPTIONS TO INCREASE REVENUE

While the budget appears to offer some small ways to generate savings, it is clear the Humboldt County airport system operates at near the lowest possible cost. There are not a host of areas in which to further cut costs and generate savings. Much of the budget balancing will have to come from activities to generate new revenue and grow current revenue. Future work to develop a strategic framework will detail options to generate new revenue. But this analysis has found several options for increasing current revenue.

Together, land leases and building leases on the County's airports generate $250,000 per year, according to an analysis of internal County revenue statements for fiscal year 2016. Building leases, rented by square foot, generate a little more than $171,000 per year while land leases, also by square foot, generate almost $77,000 per year in revenue.

> "ONE OF THE BENEFICIARIES OF LOWER LEASE RATES IS THE COUNTY, ITSELF – BUT THE COUNTY DEPRIVES THE AIRPORT SYSTEM OF REVENUE WITH FAVORABLE LEASES OF AIRPORT PROPERTY."

Lease rates, however, vary greatly, and not just by airport. They vary greatly at each airport by tenant. The current County lease rate for new leases on space in existing buildings is 79-cents per square foot per month. The current County land lease rate is 35-cents per square foot per year. Many tenants' leases remain from agreements that were signed a number of years ago, with much lower rates than current. One of the beneficiaries of lower lease rates is the County, itself which has favorable leases on airport property.

Public Works Department agencies currently lease a total of more than 962,000 square feet of space on the County's airport lands, with leases at Arcata-Eureka Airport (ACV), Murray Field (EKA), Garberville Airport (O16), and Rohnerville Airport (FOT). Public Works pays the airport system more than $32,000 per year for this space. Its building lease rates range from nine cents per square foot per month to almost 11-cents per square foot per month. Its land lease rates are all charged at 2.6-cents per square foot per year.

Other county agencies also lease space from the airport system. The District Attorney's office leases 2,000 square feet of building space at ACV at a cost of 10.5-cents per square foot per month, or more than $2,500 per year. Animal Control leases 142,000 square feet of land at ACV for 3.2-cents per square foot per year, which is 0.6-cents per square foot more than the leases paid by Public Works.

The Humboldt County Sheriff's Office leases more than 4-million square feet of land from the airport system at Rohnerville Airport, with the lowest square footage rates of any County agency. In exchange for low lease rates, the Sheriff's inmate work program is charged with providing maintenance services at Rohnerville Airport.

Humboldt County agencies receive large discounts over standard airport system lease pricing. At the very least, the airport system should be credited, in its annual budget, with a line-item for the savings it is currently providing other County agencies, who would likely pay more for similar land on the open market.

Lease rates for the airport system vary greatly for other tenants, outside County government, as well. Some of the variation is due to the quality of the buildings leased, or the specific space requested. But it's important to point out the differences in this analysis.

FIGURE 14: AIRPORT SYSTEM BUILDING LEASE RATES		
FISCAL YEAR 2016; SOURCE: HUMBOLDT COUNTY DOCUMENTS		
Airport	Building Leases	Monthly Rate Per Sq Ft
ACV	Cornucopia (Airport Advertising)	$ 1.54
ACV	FAA SSC Air Freight Storage Bldg.	$ 0.70
ACV	FAA SSC Terminal Office	$ 1.31
ACV	Murphy's Markets - Building Rent	$ 0.07
ACV	Mercer, Fraser & Company - Kodia Hangar	$ 0.07
ACV	(TSA) Terminal Rent	$ 3.32
ACV	United/Skywest Airlineoffice	$ 1.00

At Arcata-Eureka Airport (ACV), building tenants pay anywhere from 7-cents per square foot per month for hangar space to as much as $3.32 per square foot per month for office space (refer to figure 14 on the previous page). Only three leases are well below the current standard build lease rate of 79-cents per square foot

Airport	Land Leases	Annual Rate Per Sq Ft
ACV	Humboldt Trap and Skeet Club	$ 0.01
ACV	Mercer, Fraser & Company - Land Lease	$ 0.37
ACV	Mercer, Fraser & Company - Tiedowns	$ 0.39
ACV	CAL-ORE LIFE FLIGHT	$ 0.38
GAR	Hans Lange	$ 0.32
GAR	John Zulauf (Jesse Gray)	$ 0.32
GAR	Paul Hutchinson (Jesse Gray)	$ 0.36
GAR	South Cox / Ben Wilke	$ 0.42
GAR	Trent Sanders	$ 0.36
ROH	Fortuna ACE Hardware, INC	$ 0.35

FIGURE 15: AIRPORT SYSTEM LAND LEASE RATES
FISCAL YEAR 2016; SOURCE: HUMBOLDT COUNTY DOCUMENTS

per month, but if those three leases were brought up to County standard rates the additional revenue per year would total more than $33,000.

Land lease rates at airports throughout the system, for private lessees, range from a penny per square foot per year to 42-cents per square foot per year (refer to figure 15). Most of these lease rates are near the current County standard of 35-cents per square foot per year. It would still benefit the airport system to develop a set of standard lease rates based on the quality of the land being leased and in the interest of maximizing land lease revenue without discouraging use of the land.

Finally, on the subject of lease rates, the airport system has not negotiated a new lease with its main Fixed Base Operator (FBO), Northern Air at Murray Field, since 2005. The lease expired in

> "...IT IS RECOMMENDED, AS PART OF THE STRATEGIC BUSINESS PLAN PROJECT, THAT FBO LEASE TERMS BE REVIEWED AGAINST PEER MARKETS AND ADJUSTED ACCORDINGLY IN THE NEXT NEW LEASE."

2010, but no new lease was furnished for the analysis in this report. The lease includes Northern Air fees of just $1,355 per month which includes the concession fee ($75 per month) and the rental of two buildings, including a hangar. This fee is significantly lower than the fees charges to most other FBOs in California. While it is important to ensure low fees to encourage business expansion, it is recommended, as part of the strategic

business plan project, that FBO lease terms be reviewed against peer markets and adjusted accordingly in the next new lease.

As mentioned in benchmarking the airport system's budget against peers in this report, airline passenger vehicle parking is one of the main sources of revenue for the system. The County outsources the management of its parking operation to Republic Parking on a 20-year contract that will expire in 2021. Under this contract, Republic collects all gross receipts for parking fees and pays the County rent based on its share of those receipts. Republic is responsible for staffing the kiosk, but the County is still responsible for all maintenance and upkeep of the parking lots.

In 2015, Arcata-Eureka Airport (ACV) passenger vehicle parking generated more than $400,000 in total gross receipts (refer to figure 16). Based on the agreement with Republic, the County only retained 56% of the gross receipts, or $223,000, with the rest going to Republic. In 2016, parking gross receipts increased by 30%, to almost $519,000. But the County only retained 59% of the revenue – a total of just over $305,000.

	FIGURE 16: BREAKDOWN OF ACV PARKING RECEIPTS			
	SOURCE: REPUBLIC PARKING REPORTING			
Year	Gross Parking Fees	County Share	Republic Share	County %
2015	$400,306	$223,007	$177,299	55.7%
2016	$518,721	$305,327	$213,394	58.9%
Total	$919,027	$528,334	$390,693	57.5%

Over the two-year period from 2015 to 2016, Republic Parking generated almost $391,000 in total revenue from managing the parking lots at ACV (refer to figure 16). Republic, based on its agreement with the County, retained 42.5% of all parking revenue for the two-year period.

It is strongly suggested that, at the conclusion of the Republic Parking contract, the County take over the management of the ACV parking operation. Parking automation, including all equipment and technology required, costs between $250,000 and $450,000 to install, based on which system an airport chooses. The County can cover the expense of installing the system in just two years through the re-patriation of revenue currently being spent on Republic management. Beyond the two-year payoff phase, an automated system

would allow the County to access at least $200,000 per year in additional parking revenue based on recent financial results.

Beyond the County taking over the management of the ACV passenger vehicle parking operation, it is also recommended the airport system review its parking rates relative to peers, similar to the analysis in this report. It is feasible the airport system could raise parking rates without a loss of any parking business. A full sensitivity analysis of parking rate increases and increased revenue will be completed in the strategic business plan portion of study for Humboldt County.

It is likely there are other options to generate increased revenue for the airport system, including expanded and new lines of business. These options will be researched and developed through upcoming SWOT (strengths, weaknesses, opportunity, and threats) sessions and the upcoming strategic plan process.

APPENDIX ONE: AVIATION DIV. BUDGET

Aviation Division Budget	Actual							
REVENUES	2003	2004	2005	2006	2007	2008	2009	2010
Operating Revenue/Contributions/Charges	1,736,969	1,750,116	1,923,603	2,350,725	2,429,886	2,619,802	2,664,775	2,646,911
Use of Money and Property	318	4,744	7,144	10,906	22,938	11,725	3,175	7,071
Other Governmental Agencies	1,108,528	244,194	755,848	1,044,962	3,390,073	5,989,775	2,890,234	4,883,863
Other Revenues	-	-	-	-			48,214	253,323
Trust Fund Revenue/Airport Enterprise					333,617	17,661		
General Fund Contribution								
Not Applicable								
Total	2,845,815	1,999,054	2,686,595	3,406,593	6,176,514	8,638,963	5,606,398	7,791,168
OPERATING EXPENDITURES								
Other Charges	155,135	937,263	117,935	158,752	91,850	356,904	1,238,400	1,296,598
Salaries and Benefits	695,637	581,614	673,470	791,461	808,432	803,398	954,851	1,045,881
Supplies and Services	967,709	982,910	1,037,608	1,430,185	1,515,718	1,615,987	1,391,170	1,537,871
Subtotal	1,818,481	2,501,787	1,829,013	2,380,398	2,416,000	2,776,289	3,584,421	3,880,350
Balance Before Fixed Assets or Transfers	1,027,334	(502,733)	857,582	1,026,195	3,760,514	5,862,674	2,021,977	3,910,818
Fixed Assets	879,637	305,945	680,588	1,108,722	3,727,512	5,730,499	3,255,955	5,978,604
Intrafund Transfers								
Total	2,698,118	2,807,732	2,509,601	3,489,120	6,143,512	8,506,788	6,840,376	9,858,954
Balance	147,697	(808,678)	176,994	(82,527)	33,002	132,175	(1,233,978)	(2,067,786)
Additional Funding Support								
(To)/From Airport Enterprise Fund	(147,698)	807,767	(176,994)	82,527	(33,002)	(132,175)	1,233,978	2,067,786
Aviation Capital Projects								
Total	(1)	(911)	-	-	-	-	-	-

Aviation Division Budget	Actual						Adopted
REVENUES	2011	2012	2013	2014	2015	2016	2017
Operating Revenue/Contributions/Charges	3,289,237	2,991,453	3,053,871	2,605,913	2,347,122	2,436,398	2,232,470
Use of Money and Property	3,399	344	685	272	245	981	-
Other Governmental Agencies	8,489,801	2,951,358	160,155	2,521,773	517,368	297,637	4,252,812
Other Revenues	412,043	187,461	158,251	754,591	122,358	115,098	436,294
Trust Fund Revenue/Airport Enterprise							
General Fund Contribution				-	15,000	16,116	35,500
Not Applicable		(145,921)		5,051	2,035	-	-
Total	12,194,480	5,984,695	3,372,962	5,887,600	3,004,128	2,866,230	6,957,076
OPERATING EXPENDITURES							
Other Charges	1,196,455	1,141,248	1,404,930	1,947,205	2,348,024	2,413,520	1,628,682
Salaries and Benefits	1,177,458	1,166,847	1,136,327	895,667	888,713	868,876	914,247
Supplies and Services	1,926,248	1,691,332	1,570,265	1,480,609	1,524,277	1,231,360	1,061,116
Subtotal	4,300,161	3,999,427	4,111,522	4,323,481	4,761,014	4,513,756	3,604,045
Balance Before Fixed Assets or Transfers	7,894,319	1,985,268	(738,560)	1,564,119	(1,756,886)	(1,647,526)	3,353,031
Fixed Assets	7,475,133	3,076,377	699,025	3,562,282	344,052	252,516	3,315,079
Intrafund Transfers			(120,816)	(107,699)	(92,505)	(35,606)	(25,878)
Total	11,775,294	7,075,804	4,689,731	7,778,064	5,012,561	4,730,666	6,893,246
Balance	419,186	(1,091,109)	(1,316,769)	(1,890,464)	(2,008,433)	(1,864,436)	63,830
Additional Funding Support							
(To)/From Airport Enterprise Fund	(419,186)	1,377,401	1,010,245	1,765,184	2,171,063	1,829,792	(63,830)
Aviation Capital Projects		(286,292)	306,524	125,280	(162,630)	34,644	-
Total	-	-	-	-	-	-	-

County of Humboldt
3530381 – Arcata-Eureka Airport ACV
Revenues and Expenditures with Encumbrances
For the Period Ending June 30, 2016

	Adopted Budget	Adjusted Budget	Month to Date	Fiscal Year to Date	Encumbrances	Remaining Balance	Percentage Used
Revenues							
11 Operating Revenue & Contribtn							
682303 Landing Fees	113,000.00	113,000.00	40,673.11	192,523.65		(79,523.65)	170.4%
682304 Terminal Income	55,000.00	55,000.00	16,947.47	120,728.49		(65,728.49)	219.5%
682310 Security Requirements	65,390.00	65,390.00		104,782.01		(39,392.01)	160.2%
682311 Aircraft Storage T-Hanger	11,802.00	11,802.00	284.50	12,302.12		(500.12)	104.2%
682312 Aircraft Storage-Tie Downs	24,000.00	24,000.00	841.72	22,025.32		1,974.68	91.8%
682314 Building Rent	38,000.00	38,000.00	5,370.37	50,571.89		(12,571.89)	133.1%
682315 Ground Rent	40,800.00	40,800.00	546.67	38,761.27		2,038.73	95.0%
682316 Rental Cars - Terminal Income	197,000.00	197,000.00	36,454.88	204,253.84		(7,253.84)	103.7%
682317 Auto Parking - Terminal Income	224,000.00	224,000.00	55,199.97	281,282.93		(57,282.93)	125.6%
682318 Other Concessions-Terminal Inc	65,000.00	65,000.00	2,846.50	20,145.02		44,854.98	31.0%
682400 Sales - Fuel & Oil	480,000.00	600,000.00	66,223.99	793,608.48		(193,608.48)	132.3%
682401 Fuel Flowage	510.00	510.00				510.00	0.0%
682402 Fuel Flowage Non-retail	75,000.00	75,000.00	33,669.52	156,296.85		(81,296.85)	208.4%
682501 Misc. General Revenue	12,000.00	12,000.00	4,991.64	26,029.07		(14,029.07)	216.9%
682611 Transfer from Hanger Trust	74,910.00	74,910.00				74,910.00	0.0%
Total Operating Revenue & Cont	1,476,412.00	1,596,412.00	264,050.34	2,023,310.94		(426,898.94)	126.7%
50 Other Governmental Agencies							
532088 ACV - DOT MRG Grant	710,000.00	710,000.00		6,843.95		703,156.05	1.0%
Total Other Governmental Agenc	710,000.00	710,000.00		6,843.95		703,156.05	1.0%
60 Charges for Current Services							
681200 Road Labor-Oth Co Fund PW-Real				1,338.90		(1,338.90)	
Total Charges for Current Serv				1,338.90		(1,338.90)	
70 Other Revenues							
704016 Insurance Reimbursement	62,939.00	62,939.00		62,939.00			100.0%
705501 Capital Projects Trust		125,000.00	52,159.43	52,159.43		72,840.57	41.7%
706250 Inter-Fund Loans Trust Transfr	500,000.00	500,000.00				500,000.00	0.0%
707012 Donations		1,317.00				1,317.00	0.0%

710050	Fund Balance Transfer		15,000.00			15,000.00	0.0%
	Total Other Revenues	562,939.00	704,256.00	52,159.43	115,098.43	589,157.57	16.3%
90	**General Fund Contribution**						
	Total General Fund Contributio						
99	**Not Applicable**						
806530	IGS-Airport Enterprise				(5,948.95)		
	Total Not Applicable				(5,948.95)		
	Total Revenues	2,749,351.00	3,010,668.00	310,260.82	2,146,592.22	864,075.78	71.3%
Expenditures							
01	**Salaries & Employee Benefits**						
1100	Salaries And Wages	561,362.00	542,313.00	55,760.09	539,286.28	3,026.72	99.4%
1300	Tool Allowance	250.00	250.00			250.00	0.0%
1310	Uniform Allowance	2,565.00	2,565.00			2,565.00	0.0%
1450	Unemployment Insurance	4,211.00	4,211.00	449.13	4,048.15	162.85	96.1%
1460	Overtime	15,000.00	15,000.00	2,453.60	27,008.64	(12,008.64)	180.1%
1470	Health Insurance	110,043.00	108,091.00	9,424.94	106,461.91	1,629.09	98.5%
1471	Life & Air Travel Insurance	447.00	447.00	37.20	446.40	.60	99.9%
1472	Dental Insurance	10,500.00	10,500.00	874.92	10,499.04	.96	100.0%
1500	Retirement	150,608.00	150,608.00	13,599.47	147,059.20	3,548.80	97.6%
1600	FICA	26,613.00	26,613.00	1,919.91	18,354.95	8,258.05	69.0%
1700	Workers' Compensation	15,712.00	15,712.00		15,712.00		100.0%
	Total Salaries & Employee Bene	897,311.00	876,310.00	84,519.26	868,876.57	7,433.43	99.2%
02	**Services and Supplies**						
2103	Clothing / Employee	200.00	200.00			200.00	0.0%
2106	Communications	11,000.00	11,000.00	1,780.51	13,008.69	(2,008.69)	118.3%
2109	Household Expense	20,000.00	20,000.00	3,406.23	22,787.03	(2,787.03)	113.9%
2110	Insurance	163,350.00	163,350.00		163,351.00	(1.00)	100.0%
2112	Maintenance-Equipment	12,500.00	12,500.00	1,501.25	12,395.49	104.51	99.2%
2115	Memberships	500.00	500.00		490.00	10.00	98.0%
2116	Postage	500.00	500.00	14.12	321.36	178.70	64.3%
2117	Office Supplies	2,000.00	2,000.00	267.24	1,094.37	905.63	54.7%
2118	Professional & Special Service	10,000.00	5,858.00	300.00	1,325.00	4,533.00	22.6%
2120	Rents & Leases - Equipment	10,000.00	10,000.00	108.84	6,257.33	3,742.67	62.6%
2122	Small Tools	600.00	400.00	41.08	305.56	94.44	76.4%
2123	Special Departmental Expense	2,000.00	2,000.00	457.09	2,169.08	(169.08)	108.5%
2125	Transportation & Travel	23,000.00	18,391.00	631.35	14,844.67	3,546.33	80.7%
2126	Utilities	150,000.00	150,000.00	26,814.71	156,237.18	(6,237.18)	104.2%

2127	Security Guard	107,500.00	107,500.00	112,321.56	112,720.61	(5,220.61)	104.9%
2148	Computer Software	7,500.00	7,500.00		7,200.00	300.00	96.0%
2163	Heavy Equipment Use	51,000.00	51,000.00	2,897.61	49,418.34	1,581.66	96.9%
2187	Flashing Beacon Placement		15,000.00		15,729.89	(729.89)	104.9%
2225	Transportation-Out of County	500.00	500.00			500.00	0.0%
2250	Aircraft Rescue Fire Fighting	16,000.00	16,000.00		14,622.18	1,377.82	91.4%
2317	Office Expense - Equipment	1,200.00	1,200.00			1,200.00	0.0%
2350	Safety Related Expenses	2,000.00	2,000.00	11.75	739.82	1,260.18	37.0%
2550	Maintenance-Landing Areas	39,482.00	56,331.00	935.92	56,331.05	(.05)	100.0%
2551	Maintenance-Terminal Building	7,000.00	8,317.00	1,842.89	7,155.07	1,161.93	86.0%
2552	Maintenance-Other Bldgs & Area	3,000.00	14,678.00	12,596.61	15,520.24	(842.24)	105.7%
2553	Maintenance-Landscaping	1,000.00	1,000.00	13.99	175.72	824.28	17.6%
2614	Staff Development & Training	1,000.00	2,425.00		2,449.01	(24.01)	101.0%
2650	Industrial Permits & Fees	7,600.00	7,600.00		10,275.78	(2,675.78)	135.2%
2651	Fuel Purchases For Resale	310,000.00	402,385.00	35,754.08	403,356.38	(971.38)	100.2%
2813	Elevator Maintenance	5,027.00	5,027.00		4,876.32	150.68	97.0%
	Total Services and Supplies	**965,459.00**	**1,095,162.00**	**201,696.83**	**1,095,157.11**	**4.89**	**100.0%**
03	**Other Charges**						
3125	Information Services Charges	13,688.00	13,688.00		13,688.00		100.0%
3137	A-87 Overhead Charges	27,215.00	27,215.00		27,215.00		100.0%
3300	Depreciation Expense			1,961,426.53	1,961,426.53	(1,961,426.53)	
3344	Negative Interest Expense	1,500.00	1,500.00		5,699.23	(4,199.23)	379.9%
3395	Interest Expense	20,743.00	20,743.00	1,724.00	20,743.00		100.0%
3396	Principle Loan Payments	54,167.00	54,167.00	4,513.00	54,167.00		100.0%
3508	ACV - MRG	725,000.00	725,000.00	6,086.33	8,416.90	716,583.10	1.2%
3513	Communications/Utility Charges	3,220.00	3,220.00		3,220.00		100.0%
3928	Expense Transfers	100,000.00	100,000.00	7,097.15	95,417.71	4,582.29	95.4%
3940	Central Service Charges	1,268.00	1,268.00		1,268.00		100.0%
	Total Other Charges	**946,801.00**	**946,801.00**	**1,980,847.01**	**2,191,261.37**	**(1,244,460.37)**	**231.4%**
08	**Fixed Assets**						
8186	Improvements		125,000.00	38,072.16	52,159.43	72,840.57	41.7%
	Total Fixed Assets		**125,000.00**	**38,072.16**	**52,159.43**	**72,840.57**	**41.7%**
09	**Intrafund Transfers**						
9346	Public Works Services	(113,400.00)	(113,400.00)	(4,626.73)	(35,606.50)	(77,793.50)	31.4%
	Total Intrafund Transfers	**(113,400.00)**	**(113,400.00)**	**(4,626.73)**	**(35,606.50)**	**(77,793.50)**	**31.4%**
	Total Expenditures	**2,696,171.00**	**2,929,873.00**	**2,300,508.53**	**4,171,847.98**	**(1,241,974.98)**	**142.4%**
	Net Revenues Over (Under) Expenditures	**53,180.00**	**80,795.00**	**(1,990,247.71)**	**(2,025,255.76)**	**2,106,050.76**	

County of Humboldt
3530373 – Rohnerville Airport
Revenues and Expenditures with Encumbrances
For the Period Ending June 30, 2016

		Adopted Budget	Adjusted Budget	Month to Date	Fiscal Year to Date	Encumbrances	Remaining Balance	Percentage Used
Revenues								
11	**Operating Revenue & Contributn**							
682303	Landing Fees	11,700.00	11,700.00	1,012.50	23,923.99		(12,223.99)	204.5%
682311	Aircraft Storage T-Hanger	46,000.00	46,000.00	3,258.60	43,765.60		2,234.40	95.1%
682312	Aircraft Storage-Tie Downs	1,000.00	1,000.00	42.00	227.50		772.50	22.8%
682314	Building Rent	660.00	660.00		660.48		(.48)	100.1%
682315	Ground Rent	12,200.00	12,200.00	357.00	12,888.63		(688.63)	105.6%
682400	Sales - Fuel & Oil	30,000.00	30,000.00	2,749.43	22,346.98		7,653.02	74.5%
682402	Fuel Flowage Non-retail	4,000.00	4,000.00	455.05	1,322.40		2,677.60	33.1%
682501	Misc. General Revenue	200.00	200.00		21,258.67		(21,058.67)	10,629.3%
682657	CAAP Rohnerville	10,000.00	10,000.00		10,000.00			100.0%
	Total Operating Revenue & Cont	**115,760.00**	**115,760.00**	**7,874.58**	**136,394.25**		**(20,634.25)**	**117.8%**
	Total Revenues	**115,760.00**	**115,760.00**	**7,874.58**	**136,394.25**		**(20,634.25)**	**117.8%**
Expenditures								
02	**Services and Supplies**							
2106	Communications	650.00	650.00	108.23	814.51		(164.51)	125.3%
2110	Insurance	8,234.00	8,234.00		8,234.00			100.0%
2112	Maintenance-Equipment	4,200.00	4,600.00	1,525.00	5,665.64		(1,065.64)	123.2%
2115	Memberships	100.00	100.00				100.00	0.0%
2116	Postage	50.00	50.00				50.00	0.0%
2118	Professional & Special Service	3,200.00	3,200.00	360.00	3,565.24		(365.24)	111.4%
2122	Small Tools	150.00	150.00	1.84	1.84		148.16	1.2%
2123	Special Departmental Expense		15.00	17.00	32.00		(17.00)	213.3%
2125	Transportation & Travel	1,800.00	1,800.00	397.89	2,806.15		(1,006.15)	155.9%
2126	Utilities	11,300.00	11,300.00	1,849.02	11,003.56		296.44	97.4%
2148	Computer Software	1,100.00	1,100.00		995.00		105.00	90.5%
2163	Heavy Equipment Use	1,500.00	1,500.00	56.76	682.22		817.78	45.5%
2317	Office Expense - Equipment		2,500.00		1,384.53		1,115.47	55.4%
2350	Safety Related Expenses	150.00	150.00	4.65	4.65		145.35	3.1%
2550	Maintenance-Landing Areas	2,800.00	30,000.00	2,236.84	5,180.65		24,819.35	17.3%

2552	Maintenance-Other Bldgs & Area	1,000.00	1,000.00		6.22	993.78	0.6%
2553	Maintenance-Landscaping	204.00	204.00			204.00	0.0%
2650	Industrial Permits & Fees	1,700.00	1,700.00		1,723.87	(23.87)	101.4%
2651	Fuel Purchases For Resale	23,000.00	23,000.00	3,199.22	19,099.28	3,900.72	83.0%
	Total Services and Supplies	**61,138.00**	**91,253.00**	**9,756.45**	**61,199.36**	**30,053.64**	**67.1%**

03   Other Charges

3125	Information Services Charges	690.00	690.00		690.00		100.0%
3137	A-87 Overhead Charges	1,372.00	1,372.00		1,372.00		100.0%
3513	Communications/Utility Charges	162.00	162.00		162.00		100.0%
3928	Expense Transfers	42,600.00	40,100.00	2,030.57	27,331.84	12,768.16	68.2%
3940	Central Service Charges	151.00	151.00		151.00		100.0%
	Total Other Charges	**44,975.00**	**42,475.00**	**2,030.57**	**29,706.84**	**12,768.16**	**69.9%**
	Total Expenditures	**106,113.00**	**133,728.00**	**11,787.02**	**90,906.20**	**42,821.80**	**68.0%**
	Net Revenues Over (Under) Expenditures	**9,647.00**	**(17,968.00)**	**(3,912.44)**	**45,488.05**	**(63,456.05)**	

VOLAIRE
AVIATION CONSULTING

Humboldt County Aviation Division Financial Review

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County of Humboldt
3530372 - Murray Field Airport
Revenues and Expenditures with Encumbrances
For the Period Ending June 30, 2016

		Adopted Budget	Adjusted Budget	Month to Date	Fiscal Year to Date	Encumbrances	Remaining Balance	Percentage Used
Revenues								
11	**Operating Revenue & Contributn**							
682300	Fixed-Based Operator	2,000.00	2,000.00	192.00	2,304.00		(304.00)	115.2%
682303	Landing Fees	22,000.00	22,000.00	3,782.60	24,688.52		(2,688.52)	112.2%
682311	Aircraft Storage T-Hanger	102,000.00	102,000.00	11,765.88	106,613.99		(4,613.99)	104.5%
682312	Aircraft Storage-Tie Downs	11,000.00	11,000.00	4,286.25	11,452.75		(452.75)	104.1%
682314	Building Rent	3,700.00	3,700.00	182.00	4,340.00		(640.00)	117.3%
682315	Ground Rent	10,080.00	10,080.00	368.40	8,137.22		1,942.78	80.7%
682401	Fuel Flowage	2,700.00	2,700.00	895.60	4,423.60		(1,723.60)	163.8%
682501	Misc. General Revenue	100.00	100.00				100.00	0.0%
682655	CAAP Murray	10,000.00	10,000.00		10,000.00			100.0%
	Total Operating Revenue & Cont	**163,580.00**	**163,580.00**	**21,472.73**	**171,960.08**		**(8,380.08)**	**105.1%**
	Total Revenues	**163,580.00**	**163,580.00**	**21,472.73**	**171,960.08**		**(8,380.08)**	**105.1%**
Expenditures								
02	**Services and Supplies**							
2106	Communications	250.00	250.00	38.52	284.45		(34.45)	113.8%
2109	Household Expense	1,300.00	850.00	86.03	1,145.48		(295.48)	134.8%
2110	Insurance	9,387.00	9,387.00		9,387.00			100.0%
2112	Maintenance-Equipment	700.00	390.00		819.80		(429.80)	210.2%
2115	Memberships	100.00	100.00				100.00	0.0%
2116	Postage	50.00	50.00		19.62		30.38	39.2%
2117	Office Supplies	10.00	10.00				10.00	0.0%
2122	Small Tools	200.00	200.00	1.36	1.36		198.64	0.7%
2125	Transportation & Travel	4,200.00	4,200.00	123.53	1,002.05		3,197.95	23.9%
2126	Utilities	10,500.00	10,500.00	1,300.54	10,464.28		35.72	99.7%
2163	Heavy Equipment Use	2,000.00	2,000.00	198.66	1,980.72		19.28	99.0%
2350	Safety Related Expenses	150.00	150.00	(37.53)	(37.53)		187.53	-25.0%
2550	Maintenance-Landing Areas	900.00	900.00	173.48	285.26		614.74	31.7%
2552	Maintenance-Other Bldgs & Area	1,000.00	1,110.00		1,876.19		(766.19)	169.0%
2650	Industrial Permits & Fees	4,300.00	4,950.00		6,247.00		(1,297.00)	126.2%

Total Services and Supplies		35,047.00	35,047.00	1,884.59	33,475.68	1,571.32	95.5%
03	**Other Charges**						
3125	Information Services Charges	787.00	787.00		787.00		100.0%
3137	A-87 Overhead Charges	1,564.00	1,564.00		1,564.00		100.0%
3513	Communications/Utility Charges	185.00	185.00		185.00		100.0%
3928	Expense Transfers	47,000.00	47,000.00	941.57	13,972.58	33,027.42	29.7%
3940	Central Service Charges	95.00	95.00		95.00		100.0%
	Total Other Charges	49,631.00	49,631.00	941.57	16,603.58	33,027.42	33.5%
08	**Fixed Assets**						
8989	Equipment-Miscellaneous	99,000.00	99,000.00			99,000.00	0.0%
	Total Fixed Assets	99,000.00	99,000.00			99,000.00	0.0%
	Total Expenditures	183,678.00	183,678.00	2,826.16	50,079.26	133,598.74	27.3%
	Net Revenues Over (Under) Expenditures	(20,098.00)	(20,098.00)	18,646.57	121,880.82	(141,978.82)	

County of Humboldt
3530374 – Garberville Airport
Revenues and Expenditures with Encumbrances
For the Period Ending June 30, 2016

		Adopted Budget	Adjusted Budget	Month to Date	Fiscal Year to Date	Encumbrances	Remaining Balance	Percentage Used
Revenues								
11	**Operating Revenue & Contributn**							
682311	Aircraft Storage T-Hanger	12,000.00	12,000.00	574.00	11,581.80		418.20	96.5%
682312	Aircraft Storage-Tie Downs	4,500.00	4,500.00	4,977.70	8,617.20		(4,117.20)	191.5%
682315	Ground Rent	15,000.00	15,000.00	956.34	15,887.82		(887.82)	105.9%
682400	Sales - Fuel & Oil	32,000.00	32,000.00	1,888.37	16,827.56		15,172.44	52.6%
682501	Misc. General Revenue	200.00	200.00		2,400.00		(2,200.00)	1,200.0%
682660	CAAP Garberville	10,000.00	10,000.00		10,000.00			100.0%
	Total Operating Revenue & Cont	73,700.00	73,700.00	8,396.41	65,314.38		8,385.62	88.6%
	Total Revenues	73,700.00	73,700.00	8,396.41	65,314.38		8,385.62	88.6%
Expenditures								
02	**Services and Supplies**							
2106	Communications	1,200.00	1,200.00	129.59	1,249.17		(49.17)	104.1%
2109	Household Expense	2,000.00	2,000.00	203.87	1,853.29		146.71	92.7%
2110	Insurance	3,127.00	3,127.00		3,127.00			100.0%
2112	Maintenance-Equipment	5,000.00	5,000.00	1,525.00	4,597.91		402.09	92.0%
2115	Memberships	100.00	100.00				100.00	0.0%
2116	Postage	50.00	50.00		19.62		30.38	39.2%
2118	Professional & Special Service	2,500.00	2,500.00	480.00	3,122.90		(622.90)	124.9%
2122	Small Tools	75.00	75.00	1.36	1.36		73.64	1.8%
2123	Special Departmental Expense	50.00	50.00	4.00	4.00		46.00	8.0%
2125	Transportation & Travel	5,200.00	5,200.00	1,324.25	5,956.55		(756.55)	114.5%
2126	Utilities	3,800.00	3,800.00	446.67	2,652.63		1,147.37	69.8%
2148	Computer Software	2,700.00	2,700.00		595.00		2,105.00	22.0%
2163	Heavy Equipment Use	1,100.00	1,100.00	227.04	391.74		708.26	35.6%
2350	Safety Related Expenses	100.00	100.00	3.43	3.43		96.57	3.4%
2550	Maintenance-Landing Areas	500.00	500.00	173.48	285.25		214.75	57.1%
2552	Maintenance-Other Bldgs & Area	1,600.00	1,600.00		372.66		1,227.34	23.3%
2650	Industrial Permits & Fees	1,600.00	1,600.00		1,723.87		(123.87)	107.7%
2651	Fuel Purchases For Resale	21,500.00	21,500.00	(2,088.94)	12,143.37		9,356.63	56.5%

Total Services and Supplies		52,202.00	52,202.00	2,429.75	38,099.75		14,102.25	73.0%

03 Other Charges

3125	Information Services Charges	262.00	262.00		262.00		100.0%
3137	A-87 Overhead Charges	521.00	521.00		521.00		100.0%
3513	Communications/Utility Charges	62.00	62.00		62.00		100.0%
3928	Expense Transfers	17,500.00	17,500.00	1,825.54	13,324.64	4,175.36	76.1%
3940	Central Service Charges	114.00	114.00		114.00		100.0%
Total Other Charges		**18,459.00**	**18,459.00**	**1,825.54**	**14,283.64**	**4,175.36**	**77.4%**
Total Expenditures		**70,661.00**	**70,661.00**	**4,255.29**	**52,383.39**	**18,277.61**	**74.1%**
Net Revenues Over (Under) Expenditures		**3,039.00**	**3,039.00**	**4,141.12**	**12,930.99**	**(9,891.99)**	

VOLAIRE
AVIATION CONSULTING

Humboldt County Aviation Division Financial Review

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County of Humboldt
3530376 – Kneeland Airport
Revenues and Expenditures with Encumbrances
For the Period Ending June 30, 2016

		Adopted Budget	Adjusted Budget	Month to Date	Fiscal Year to Date	Encumbrances	Remaining Balance	Percentage Used
Revenues								
11	**Operating Revenue & Contributn**							
682664	CAAP Kneeland	10,000.00	33,000.00	19,029.14	21,869.74		11,130.26	66.3%
	Total Operating Revenue & Cont	**10,000.00**	**33,000.00**	**19,029.14**	**21,869.74**		**11,130.26**	**66.3%**
	Total Revenues	**10,000.00**	**33,000.00**	**19,029.14**	**21,869.74**		**11,130.26**	**66.3%**
Expenditures								
02	**Services and Supplies**							
2106	Communications	75.00	75.00				75.00	0.0%
2109	Household Expense	1,600.00	1,600.00	86.05	1,145.74		454.26	71.6%
2110	Insurance	721.00	721.00		721.00			100.0%
2112	Maintenance-Equipment	700.00	700.00				700.00	0.0%
2115	Memberships	100.00	100.00				100.00	0.0%
2116	Postage	50.00	50.00				50.00	0.0%
2122	Small Tools	75.00	75.00				75.00	0.0%
2125	Transportation & Travel	400.00	400.00		54.27		345.73	13.6%
2163	Heavy Equipment Use	150.00	150.00				150.00	0.0%
2350	Safety Related Expenses	75.00	75.00				75.00	0.0%
2550	Maintenance-Landing Areas	350.00	350.00		111.77		238.23	31.9%
	Total Services and Supplies	**4,296.00**	**4,296.00**	**86.05**	**2,032.78**		**2,263.22**	**47.3%**
03	**Other Charges**							
3125	Information Services Charges	60.00	60.00		60.00			100.0%
3137	A-87 Overhead Charges	120.00	120.00		120.00			100.0%
3513	Communications/Utility Charges	14.00	14.00		14.00			100.0%
3928	Expense Transfers	3,800.00	8,800.00		1,223.92		7,576.08	13.9%
	Total Other Charges	**3,994.00**	**8,994.00**		**1,417.92**		**7,576.08**	**15.8%**
08	**Fixed Assets**							
8862	Safety Equipment		18,000.00		15,578.44		2,421.56	86.5%

Total Fixed Assets		18,000.00		15,578.44	2,421.56	86.5%
Total Expenditures	8,290.00	31,290.00	86.05	19,029.14	12,260.86	60.8%
Net Revenues Over (Under) Expenditures	1,710.00	1,710.00	18,943.09	2,840.60	(1,130.60)	

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County of Humboldt
3530375 - Dinsmore Airport
Revenues and Expenditures with Encumbrances
For the Period Ending June 30, 2016

	Adopted Budget	Adjusted Budget	Month to Date	Fiscal Year to Date	Encumbrances	Remaining Balance	Percentage Used
Revenues							
11 Operating Revenue & Contributn							
68402 Fuel Flowage Non-retail				564.49		(564.49)	
68501 Misc. General Revenue				5,600.00		(5,600.00)	
682662 CAAP Disource	10,000.00	10,000.00	1,800.00	10,043.89		(43.89)	100.4%
Total Operating Revenue & Cost	10,000.00	10,000.00	1,800.00	16,208.38		(6,208.38)	162.1%
Total Revenues	10,000.00	10,000.00	1,800.00	16,208.38		(6,208.38)	162.1%
Expenditures							
02 Services and Supplies							
2106 Communications	75.00	75.00				75.00	0.0%
2110 Insurance	1,082.00	1,082.00		1,082.00			100.0%
2112 Maintenance-Equipment	700.00	700.00				700.00	0.0%
2115 Memberships	100.00	100.00				100.00	0.0%
2116 Postage	50.00	50.00		8.43		41.57	16.9%
2122 Small Tools	75.00	75.00	.49	.49		74.51	0.7%
2125 Special Departmental Expense			9.00	9.00		(9.00)	
2163 Transportation & Travel	750.00	750.00		122.11		627.89	16.3%
2167 Heavy Equipment Use	150.00	150.00				150.00	0.0%
2350 Safety Related Expenses	75.00	75.00	1.21	1.21		73.79	1.6%
2550 Maintenance-Landing Areas	1,500.00	1,500.00	61.97	173.74		1,326.26	11.6%
Total Services and Supplies	4,557.00	4,557.00	72.67	1,396.98		3,160.02	30.7%
03 Other Charges							
3125 Information Services Charges	91.00	91.00				91.00	100.0%
3137 A-87 Overhead Charges	180.00	180.00				180.00	100.0%
3513 Communications/Utility Charges	21.00	21.00				21.00	100.0%
3928 Expense Transfers	2,500.00	2,500.00	175.79	2,178.50		321.50	87.1%
3940 Central Service Charges	19.00	19.00				19.00	100.0%
Total Other Charges	2,811.00	2,811.00	175.79	2,489.50		321.50	88.6%

Total Expenditures	7,368.00	7,368.00	248.46	3,886.48	3,481.52	52.7%
Net Revenues Over (Under) Expenditures	2,632.00	2,632.00	1,551.54	12,321.90	(9,689.90)	

APPENDIX THREE: ACV FAA BUDGETS

Operating Budget Analysis ARCATA	
Fiscal Year 2012	

Operating Revenue		Operating Expenses	
Passenger Airline Revenue		**Operating Expenses**	
Landing Fees	$151,025	Personnel (Compensation and Benefits)	$1,166,848
Terminal Rent	$135,814	Communications and Utilities	$179,903
Apron Charges	$57,744	Supplies and Materials	$34,570
Federal Inspection Fees	$0	Contractual Services	$323,389
Other Fees	$0	Insurance Claims and Settlements	$132,875
Subtotal	**$344,583**	Other Operating Expenses	$1,329,454
Passenger-Related Revenue		**Subtotal**	**$3,167,039**
Terminal Food and Beverage	$89,727	**Operating Profit/Loss Analysis**	
Terminal Retail	$0	Total Operating Revenue	$2,681,188
Terminal Services	$0	Total Operating Expenses	$3,167,039
Rental Cars	$170,911		
Airport Hotel	$0	**Total Operating Profit/Loss**	**-$485,851**
Parking and Ground Transport	$211,700		
Subtotal	**$472,338**		
Non-Passenger Aeronautical Revenue		**Per Enplaned Passenger**	
Landing Fees from Cargo	$15,290	Enplaned Passengers	71,991
Landing Fees from GA and Military	$0	Airline Cost Per Enplaned Passenger	$4.79
FBO Revenue	$4,083	Airport Revenue Per Enplaned Pax	$6.56
Hangar Rentals	$211,102	Terminal Concessions Per Enplaned Pax	$1.25
Aviation Fuel Tax	$100,214	Parking Per Enplaned Passenger	$2.94
Fuel Flowage	$1,201,609	Rental Car Per Enplaned Passenger	$2.37
Security Reimbursement	$187,472	Personnel Cost Per Enplaned Passenger	$16.21
Other Fees	$109,482		
Subtotal	**$1,829,252**	*Source: Federal Aviation Administration Financial Summary*	
Non-Aeronautical Revenue		*Report Form 127*	
Land Leases	$35,015		
Other Revenue	$0		
Subtotal	**$35,015**		
Total Operating Revenue	**$2,681,188**		

Operating Budget Analysis ARCATA
Fiscal Year 2013

Operating Revenue		Operating Expenses	
Passenger Airline Revenue		**Operating Expenses**	
Landing Fees	$173,703	Personnel (Compensation and Benefits)	$1,136,625
Terminal Rent	$139,664	Communications and Utilities	$162,796
Apron Charges	$0	Supplies and Materials	$24,554
Federal Inspection Fees	$0	Contractual Services	$244,656
Other Fees	$0	Insurance Claims and Settlements	$126,169
Subtotal	**$313,367**	Other Operating Expenses	$1,186,529
		Subtotal	**$2,881,329**
Passenger-Related Revenue		**Operating Profit/Loss Analysis**	
Terminal Food and Beverage	$99,995	Total Operating Revenue	$2,933,357
Terminal Retail	$0	Total Operating Expenses	$2,881,329
Terminal Services	$60,968		
Rental Cars	$197,940		
Airport Hotel	$0	**Total Operating Profit/Loss**	**$52,028**
Parking and Ground Transport	$242,056		
Subtotal	**$600,959**		
Non-Passenger Aeronautical Revenue		**Per Enplaned Passenger**	
Landing Fees from Cargo	$0	Enplaned Passengers	63,194
Landing Fees from GA and Military	$0	Airline Cost Per Enplaned Passenger	$4.96
FBO Revenue	$0	Airport Revenue Per Enplaned Pax	$9.51
Hangar Rentals	$40,511	Terminal Concessions Per Enplaned Pax	$2.55
Aviation Fuel Tax	$0	Parking Per Enplaned Passenger	$3.83
Fuel Flowage	$1,305,403	Rental Car Per Enplaned Passenger	$3.13
Security Reimbursement	$151,298	Personnel Cost Per Enplaned Passenger	$17.99
Other Fees	$72,994		
Subtotal	**$1,570,206**	Source: Federal Aviation Administration Financial Summary	
Non-Aeronautical Revenue		Report Form 127	
Land Leases	$0		
Other Revenue	$448,825		
Subtotal	**$448,825**		
Total Operating Revenue	**$2,933,357**		

Operating Budget Analysis ARCATA
Fiscal Year 2014

Operating Revenue		Operating Expenses	
Passenger Airline Revenue		**Operating Expenses**	
Landing Fees	$140,806	Personnel (Compensation and Benefits)	$895,667
Terminal Rent	$85,845	Communications and Utilities	$160,142
Apron Charges	$0	Supplies and Materials	$31,836
Federal Inspection Fees	$0	Contractual Services	$239,076
Other Fees	$87,506	Insurance Claims and Settlements	$169,376
Subtotal	$314,157	Other Operating Expenses	$1,730,770
		Subtotal	$3,226,867
Passenger-Related Revenue		**Operating Profit/Loss Analysis**	
Terminal Food and Beverage	$94,084	Total Operating Revenue	$1,987,528
Terminal Retail	$0	Total Operating Expenses	$3,226,867
Terminal Services	$0		
Rental Cars	$203,698		
Airport Hotel	$0	**Total Operating Profit/Loss**	-$1,239,339
Parking and Ground Transport	$204,776		
Subtotal	$502,558		

Non-Passenger Aeronautical Revenue		Per Enplaned Passenger	
Landing Fees from Cargo	$3,917	Enplaned Passengers	56,623
Landing Fees from GA and Military	$0	Airline Cost Per Enplaned Passenger	$5.55
FBO Revenue	$0	Airport Revenue Per Enplaned Pax	$8.88
Hangar Rentals	$17,154	Terminal Concessions Per Enplaned Pax	$1.66
Aviation Fuel Tax	$0	Parking Per Enplaned Passenger	$3.62
Fuel Flowage	$899,987	Rental Car Per Enplaned Passenger	$3.60
Security Reimbursement	$121,404	Personnel Cost Per Enplaned Passenger	$15.82
Other Fees	$59,168		
Subtotal	$1,101,630		

Source: Federal Aviation Administration Financial Summary Report Form 127

Non-Aeronautical Revenue	
Land Leases	$33,331
Other Revenue	$35,852
Subtotal	$69,183
Total Operating Revenue	$1,987,528

Operating Budget Analysis ARCATA
Fiscal Year 2015

Operating Revenue	
Passenger Airline Revenue	
Landing Fees	$126,669
Terminal Rent	$31,980
Apron Charges	$0
Federal Inspection Fees	$0
Other Fees	$17,055
Subtotal	**$175,704**
Passenger-Related Revenue	
Terminal Food and Beverage	$30,758
Terminal Retail	$21,288
Terminal Services	$73,713
Rental Cars	$224,076
Airport Hotel	$0
Parking and Ground Transport	$232,129
Subtotal	**$581,964**
Non-Passenger Aeronautical Revenue	
Landing Fees from Cargo	$2,915
Landing Fees from GA and Military	$11,569
FBO Revenue	$0
Hangar Rentals	$72,194
Aviation Fuel Tax	$0
Fuel Flowage	$932,942
Security Reimbursement	$93,350
Other Fees	$0
Subtotal	**$1,112,970**
Non-Aeronautical Revenue	
Land Leases	$76,574
Other Revenue	$1,430
Subtotal	**$78,004**
Total Operating Revenue	**$1,948,642**

Operating Expenses	
Operating Expenses	
Personnel (Compensation and Benefits)	$888,713
Communications and Utilities	$193,564
Supplies and Materials	$26,690
Contractual Services	$210,983
Insurance Claims and Settlements	$182,840
Other Operating Expenses	$837,932
Subtotal	**$2,340,722**

Operating Profit/Loss Analysis	
Total Operating Revenue	$1,948,642
Total Operating Expenses	$2,340,722
Total Operating Profit/Loss	**-$392,080**

Per Enplaned Passenger	
Enplaned Passengers	51,872
Airline Cost Per Enplaned Passenger	$3.39
Airport Revenue Per Enplaned Pax	$11.22
Terminal Concessions Per Enplaned Pax	$2.42
Parking Per Enplaned Passenger	$4.48
Rental Car Per Enplaned Passenger	$4.32
Personnel Cost Per Enplaned Passenger	$17.13

Source: Federal Aviation Administration Financial Summary Report Form 127

Operating Budget Analysis ARCATA
Fiscal Year 2016

Operating Revenue		Operating Expenses	
Passenger Airline Revenue		**Operating Expenses**	
Landing Fees	$180,921	Personnel (Compensation and Benefits)	$868,877
Terminal Rent	$31,980	Communications and Utilities	$169,246
Apron Charges	$0	Supplies and Materials	$435,065
Federal Inspection Fees	$0	Contractual Services	$120,506
Other Fees	$19,391	Insurance Claims and Settlements	$163,351
Subtotal	**$232,292**	Other Operating Expenses	$94,269
		Subtotal	**$1,851,314**
Passenger-Related Revenue			
Terminal Food and Beverage	$30,758	**Operating Profit/Loss Analysis**	
Terminal Retail	$0	Total Operating Revenue	$2,003,359
Terminal Services	$20,145	Total Operating Expenses	$1,851,314
Rental Cars	$204,254		
Airport Hotel	$0	**Total Operating Profit/Loss**	**$152,045**
Parking and Ground Transport	$281,283		
Subtotal	**$536,440**		
Non-Passenger Aeronautical Revenue		**Per Enplaned Passenger**	
Landing Fees from Cargo	$2,110	Enplaned Passengers	55,168
Landing Fees from GA and Military	$9,493	Airline Cost Per Enplaned Passenger	$4.21
FBO Revenue	$0	Airport Revenue Per Enplaned Pax	$9.72
Hangar Rentals	$72,366	Terminal Concessions Per Enplaned Pax	$0.92
Aviation Fuel Tax	$0	Parking Per Enplaned Passenger	$5.10
Fuel Flowage	$949,905	Rental Car Per Enplaned Passenger	$3.70
Security Reimbursement	$104,782	Personnel Cost Per Enplaned Passenger	$15.75
Other Fees	$0		
Subtotal	**$1,138,656**	Source: Federal Aviation Administration Financial Summary
Non-Aeronautical Revenue		Report Form 127
Land Leases	$89,333		
Other Revenue	$6,638		
Subtotal	**$95,971**		
Total Operating Revenue	**$2,003,359**		

	AIRLINE REVENUE	PAX REVENUE	CONCESSION REV	RENTAL CAR REV	PARKING REV
FY12	$344,583	$472,338	$89,727	$170,911	$211,700
FY13	$313,367	$600,959	$99,995	$197,940	$242,056
FY14	$314,157	$502,558	$94,084	$203,698	$204,776
FY15	$175,704	$581,964	$30,758	$224,076	$232,129
FY16	$232,292	$536,440	$30,758	$204,254	$281,283
	-$112,291	$64,102	-$58,969	$33,343	$69,583
	-32.6%	13.6%	-65.7%	19.5%	32.9%

	FBO REVENUE	HANGAR RENT	FUEL FLOWAGE	LAND LEASES	PERSONNEL EXP
FY12	$4,083	$211,102	$1,201,609	$35,015	$1,166,848
FY13	$0	$40,511	$1,305,403	$0	$1,136,625
FY14	$0	$17,154	$899,987	$33,331	$895,667
FY15	$0	$72,194	$932,942	$76,574	$888,713
FY16	$0	$72,366	$949,905	$89,333	$868,877
	-$4,083	-$138,736	-$251,704	$54,318	-$297,971
	-100.0%	-65.7%	-20.9%	155.1%	-25.5%

	OP REVENUE	OP EXPENSES	PROFIT/LOSS
FY12	$2,681,188	$3,167,039	-$485,851
FY13	$2,933,357	$2,881,329	$52,028
FY14	$1,987,528	$3,226,867	-$1,239,339
FY15	$1,948,642	$2,340,772	-$392,080
FY16	$2,003,359	$1,851,314	$152,045
	-$677,829	-$1,315,725	
	-25.3%	-41.5%	

	CPE	REV PER PAX	PARKING PER PAX	CONCESSION CPE
FY12	$4.79	$6.56	$2.94	$1.25
FY13	$4.96	$9.51	$3.83	$3.13
FY14	$5.55	$8.88	$3.62	$1.66
FY15	$3.39	$11.22	$4.48	$2.42
FY16	$4.21	$9.72	$5.10	$0.92
	-$0.58	$3.16	$2.16	-$0.33
	-12.1%	48.2%	73.5%	-26.4%

	PERSONNEL CPE	AIRLINE REV SHARE	PARKING REV SHARE
FY12	$16.21	12.9%	7.9%
FY13	$17.99	10.7%	5.5%
FY14	$15.82	15.8%	10.3%
FY15	$17.13	9.0%	11.9%
FY16	$15.75	11.6%	14.0%
	-$0.46	-$0.01	$0.06
	-2.8%	-10.1%	77.2%

APPENDIX FOUR: PEER COMPARISON DATA

Airport	CPE	DIFF	% DIFF	REV/ENPL	DIFF	% DIFF	CONCESSION/EMPL	DIFF	% DIFF
ACV	$4.21			$9.72			$0.92		
CEC	$13.41	$9.20	218.5%	$0.00	-$9.72	-100.0%	$0.00	-$0.92	-100.0%
MFR	$7.09	$2.88	68.4%	$12.52	$2.80	28.8%	$1.39	$0.47	51.1%
OTH	$17.64	$13.43	319.0%	$7.53	-$2.19	-22.5%	$0.55	-$0.37	-40.2%
RDD	$4.12	-$0.09	-2.1%	$11.20	$1.48	15.2%	$2.27	$1.35	146.7%
STS	$1.20	-$3.01	-71.5%	$11.94	$2.22	22.8%	$0.11	-$0.81	-88.0%
TOTAL	$47.67			$52.91			$5.24		
AVG	$7.95	$3.74	88.7%	$8.82	-$0.90	-9.3%	$0.87	-$0.05	-5.1%

Airport	AIRLINE REV SHARE	DIFF	% DIFF	TERM CONCESSION SHARE	DIFF	% DIFF	RENTAL CAR SHARE	DIFF	% DIFF
ACV	11.6%			2.5%			10.2%		
CEC	35.7%	24.1%	207.8%	0.0%	-2.5%	-100.0%	0.0%	-10.2%	-100.0%
MFR	27.8%	16.2%	139.7%	5.4%	2.9%	116.0%	15.9%	5.7%	55.9%
OTH	16.3%	4.7%	40.5%	0.5%	-2.0%	-80.0%	6.4%	-3.8%	-37.3%
RDD	8.3%	-3.3%	-28.4%	4.6%	2.1%	84.0%	12.0%	1.8%	17.6%
STS	3.4%	-8.2%	-70.7%	30.0%	27.5%	1100.0%	11.7%	1.5%	14.7%
TOTAL	103.1%			43.0%			56.2%		
AVG	17.2%	5.6%	48.1%	7.2%	4.7%	186.7%	9.4%	-0.8%	-8.2%

Airport	PARKING/ENPL	DIFF	% DIFF	RENTAL CAR/ENPL	DIFF	% DIFF	PERSONNEL/ENPL	DIFF	% DIFF
ACV	$5.10			$3.70			$15.75		
CEC	$0.00	-$5.10	-100.0%	$0.00	-$3.70	-100.0%	$41.69	$25.94	164.7%
MFR	$7.08	$1.98	38.8%	$4.06	$0.36	9.7%	$8.90	-$6.85	-43.5%
OTH	$0.10	-$5.00	-98.0%	$6.87	$3.17	85.7%	$94.94	$79.19	502.8%
RDD	$3.01	-$2.09	-41.0%	$5.92	$2.22	60.0%	$21.90	$6.15	39.0%
STS	$7.69	$2.59	50.8%	$4.14	$0.44	11.9%	$12.84	-$2.91	-18.5%
TOTAL	$22.98			$24.69			$196.02		
AVG	$6.50	$1.40	27.5%	$4.12	$0.41	11.2%	$32.67	$16.92	107.4%

	PARKING			LAND LEASE					
Airport	SHARE	DIFF	% DIFF	SHARE	DIFF	% DIFF			
ACV	14.0%			4.5%					
CEC	0.0%	-14.0%	-100.0%	0.0%	-4.5%	-100.0%			
MFR	27.7%	13.7%	97.9%	5.3%	0.8%	17.8%			
OTH	0.1%	-13.9%	-99.3%	52.1%	47.6%	1057.8%			
RDD	6.1%	-7.9%	-56.4%	30.5%	26.0%	577.8%			
STS	21.8%	7.8%	55.7%	22.9%	18.4%	408.9%			
TOTAL	69.7%			115.3%					
AVG	11.6%	-2.4%	-17.0%	19.2%	14.7%	327.0%			

Airport	SHORT TERM	DIFF	% DIFF	LONG TERM	DIFF	% DIFF
ACV	$11.00			$9.00		
CEC	$0.00	-$11.00	-100.0%	$0.00	-$9.00	-100.0%
MFR	$15.00	$4.00	36.4%	$10.00	$1.00	11.1%
OTH	$0.00	-$11.00	-100.0%	$0.00	-$9.00	-100.0%
RDD	$18.00	$7.00	63.6%	$9.00	$0.00	0.0%
STS	$14.00	$3.00	27.3%	$10.00	$1.00	11.1%
TOTAL	$58.00			$38.00		
AVERAGE	$14.50	$3.50	31.8%	$9.50	$0.50	5.6%

VOLAIRE
AVIATION CONSULTING

VOLAIRE AVIATION, INC.

WESTERN OFFICE
10360 NW ENGLEMAN STREET
PORTLAND, OREGON 97229

503.515.3972
VOLAIREAVIATION.COM

Attachment 3: Volaire – Governance Structure

VOLAIRE
AVIATION

GOVERNANCE STRUCTURE ANALYSIS

HUMBOLDT COUNTY AIRPORTS DIVISION

COUNTY OF HUMBOLDT
The Home of the Redwoods

VOLAIRE
AVIATION CONSULTING

July 2017

REPORT CONTENTS

VOLAIRE
AVIATION CONSULTING

EXECUTIVE SUMMARY

Humboldt County commissioned Volaire Aviation Consulting to, "research, report and provide recommendations on the organizational and governance structures for the airports operated by the County." The scope of work included a detailed analysis of several types of airport governance in California, including county departments and sub-departments, airport authorities, and airport districts.

> "VOLAIRE CONSULTANTS RESEARCHED THE GOVERNANCE OF ALL AIRPORTS AND AIRPORT SYSTEMS IN CALIFORNIA WITH CURRENT SCHEDULED AIRLINE SERVICE."

Volaire consultants researched the governance of all airports and airport systems in California with current scheduled airline service. Consultants also spent two days on site in Humboldt County interviewing County Supervisors, County officials, airport system tenants, airport-related businesses, and airport stakeholders. Additional interviews were conducted over the phone to follow-up on in-person responses. These interviews helped consultants develop a clear picture of the challenges facing the Airport System. A total of 25 people were included in interviews and are as follows:

> Rex Bohn, Humboldt County Supervisor, First District
> Estelle Fennell, Humboldt County Supervisor, Second District
> Mike Wilson, Humboldt County Supervisor, Third District
> Virginia Bass, Humboldt County Supervisor, Fourth District
> Ryan Sundberg, Humboldt County Supervisor, Fifth District
> Amy Nilsen, Humboldt County Administrative Officer (CAO)
> Tom Mattson, Director, Humboldt County Public Works Department
> Emily Jacobs, Program Coordinator, Humboldt County Airports System

> Martin Stockton, Supervisor, Airport Service Workers, Humboldt County Airports System
> Angeline Vandenplas, General Manager, SkyWest Airlines
> Phillippe Clauwaert, Station Manager, PenAir
> Denise McNulty, Manager, National Car Rental
> Jessica Yang, Manager, Hertz Rental Car
> Kyle Gabel, Owner, Northern Air, FBO, Murray Field
> Lt. Dominic Bucciarelli, US Coast Guard
> Dave Ravetti, Past Chair, Airport Advisory Committee, Airport Tenant
> Kurt Dernedde, Cal Fire
> Justin Zabel, Mercer Fraser
> Gregg Foster, Redwood Region Economic Development Corporation (RREDC)
> Don Smullin, Eureka Chamber of Commerce
> Craig Wruck, Humboldt State University
> Paul McGinty, St. Joseph's Hospital
> Ken Mierzwa, Biologist, GHD Engineering
> Steve Bowser, Experimental Aircraft Association (EAA), Hangar Tenant, Rohnerville
> Tyler Lewis, President, Garberville Pilots' Association
> Tom Schallert, Northern California Community Blood Bank

The Volaire Aviation Consulting Humboldt County project team has a combined 35 years of experience in researching airport governance, providing strategic airport business planning services, and developing strategies to improve airport efficiency. Previous experience helped shape recommendations that were based on local research and knowledge of airport governance in California.

"THE HUMBOLDT COUNTY AVIATION DIVISION IS ONE OF JUST TWO IN CALIFORNIA THAT IS A SUB-DIVISION OF ANOTHER DEPARTMENT WITHIN A COUNTY."

The Humboldt County aviation division is one of just two in California that is a sub-division of another department within a county. The airport system operates within a quickly evolving industry. Airports must be agile to respond quickly to take advantage of opportunities. Public Works operates services, while the airport is an enterprise. The current Public Works Director has business experience, which is an asset. However, future directors might not be well-suited to oversee an enterprise business.

Through local research, a number of challenges facing the Humboldt County Airport System were identified. These challenges, in terms of governance, can be classified into three distinct areas: challenges with being a sub-division of the Public Works Department; challenges with limited staffing; and challenges with the current Aviation Advisory Committee. The goal of this report is not to single-out any one employee or any one member of leadership. This report seeks to define structural deficiencies. Specifically, this report found:

Challenges with airport system as a sub-division of Public Works:

1) Public Works oversees many departments, but only one enterprise – the airport system;

2) Public Works response time to requests for extra work take at least one week, and often longer;

3) There is little on-field decision-making without an airports manager;

4) Unclear chain of command for both employees and stakeholders;

5) Airport system does not operate with a business-minded focus.

Challenges with limited staffing:

1) Costs of almost $100,000 per year on extra staffing from Public Works;

2) Limited strategic planning;

3) Airports are not always adequately maintained and safety checks are rare;

4) Airline terminal poorly maintained giving a poor impression of the region to visitors.

Challenges with current Aviation Advisory Committee:

1) Conflict of interest with majority of committee being pilots;

2) Operational focus instead of business focus;

3) No effort to make the committee inclusive of business and community leaders who are looking to grow the airports, their operations, and their revenue.

The goal then becomes identifying a governance structure that can help the Airport System operate most efficiently, ensure a forward-looking business focus, provide oversight and staffing to adequately maintain

airports, reduce spending on Public Works staff time, reducing the burden on Public Works to use precious resources on items it deems as non-emergencies at the airports.

An ideal governance structure for the Humboldt County Airport System is one that will allow it to operate more like a business under the enterprise fund concept. The ideal structure will give the manager of the Airport System direct control over the airports and ensure elected officials oversee major decisions and budget planning. The ideal structure will

> "AN IDEAL GOVERNANCE STRUCTURE FOR THE HUMBOLDT COUNTY AIRPORT SYSTEM IS ONE THAT WILL ALLOW IT TO RUN MORE LIKE A BUSINESS UNDER THE ENTERPRISE FUND CONCEPT."

also speed up the decision-making process by putting more direct power in the hands of those who run the Airport System and understand its unique challenges and opportunities.

With these items in mind, the authors of this report recommend five goals for the re-structuring of governance of the Humboldt County Aviation System:

1) **Goal One:** Create an Airports Department

2) **Goal Two:** Hire a Professional Airports Director

3) **Goal Three:** Re-Evaluate Airport Staffing Levels

4) **Goal Four:** Re-Structure the Aviation Advisory Committee

5) **Goal Five:** Better Tenant Communication

This report recommends creating a new Airports Department within Humboldt County. The current structure results in slow response times, a sub-division fighting against critical County infrastructure needs for attention to problems, and a lack of business focus.

The new department should help to remedy several current challenges. It should help make the Airport System a higher priority for County government by elevating its status. It should improve response time for items that can be processed by the department instead of going through Public Works. It will empower on-field decision-making. It will provide a clear chain of command for both employees and stakeholders. It will ensure the Airport System operates with a business-minded focus and with a strategic plan. Finally, it should help ensure the airports are adequately maintained with safety checks more frequent.

"EVERY PERSON INTERVIEWED FOR THIS REPORT AGREED THE AIRPORT SYSTEM MUST HIRE A FULL-TIME, PROFESSIONAL AIRPORTS MANAGER."

While airport authorities and airport districts were considered as alternate governance options, in California, they have been shown in this report to add management cost to the airports they oversee.

The Humboldt County Airport System is struggling with budget shortfalls. These shortfalls would be made worse with the added cost of operating under an authority or district – and it does not appear the advantages of those types of government would outweigh the cost.

Every person interviewed for this report agreed the Airport System must hire a full-time, professional airports manager to oversee the division. It is the opinion of the authors of this report that Humboldt County is much more likely to land an experienced and dedicated airport director if the Airport System is positioned to report directly to the Supervisors rather than the Public Works Director. It is also recommended the County conduct a nationwide search for the director.

The County must re-evaluate how the Airport System is staffed, and eventually work to start filling some of the seven positions left open due to budget concerns. It is recommended the Airport System full staffing requirement be reduced from the current 19 positions (again with seven frozen) to 17 positions, eliminating a custodial position (currently unfilled) and a groundskeeper position (currently unfilled). The reduction in staff size will not cause any employee to lose a job. In fact, it would represent a net increase in five jobs over the positions currently filled. The positions marked for new hires (outside of the airports director) do not have to be filled until the County is comfortable that the Airport System's budget is improving. It is further recommended that the new staffing structure transition the current program coordinator position to a deputy director, in charge of air service, marketing, and business development. This would put the System's focus squarely on business development and planning.

> "TRANSITIONING THE FOCUS AWAY FROM PILOTS AND THEIR PERSPECTIVES TO REGIONAL LEADERSHIP AND A FOCUS ON LEVERAGING THE AIRPORTS FOR ECONOMIC GROWTH."

In addition, it is recommended the Aviation Advisory Committee be re-structured to include seven members, down from the current nine, transitioning the focus away from pilots and their perspectives to regional leadership with a focus on leveraging the airports for economic growth. The new Committee should include the following permanent positions appointed by the Board of Supervisors:

1) Humboldt County Convention & Visitors Bureau Executive Director

2) Economic development representative from one of the region's agencies and/or cities

3) Chamber of commerce representative from one of the region's agencies and/or cities

The new Committee should also include positions appointed by the County's Board of Supervisors, based on the requirements of each position, with the following representatives:

4) Airline Representative: A locally-based representative of a scheduled passenger or cargo airline serving one of the County's airports;

5) Aviation Tenant Representative: A tenant at one of the County's airports;

6) Local Business Representative: A leader at a local firm with an interest in the airports;

7) Financial Representative: A leader at a bank, investment firm, or accounting firm.

To provide a clear line of communication between Airport System management and tenants at all airports, the report recommends mandated tenant communication. Specifically, the airports director should meet quarterly, in a group setting, with tenants at each of the County's main airports. Beyond tenant group meetings, it is recommended the airports director meet monthly, one-on-one, with the station managers for scheduled airlines – both cargo and passenger. The goal of these meetings will be to ensure nothing gets overlooked in airline terminals and that slow-moving repairs of the past do not become the norm.

While these changes, including the move of the Airports System to an independent department with executive control, will not solve all the problems facing the System, it is the most cost-effective way to ensure the Airport System can best run as a business. The governance change and associated recommendations will directly address the most pressing of the challenges facing the System.
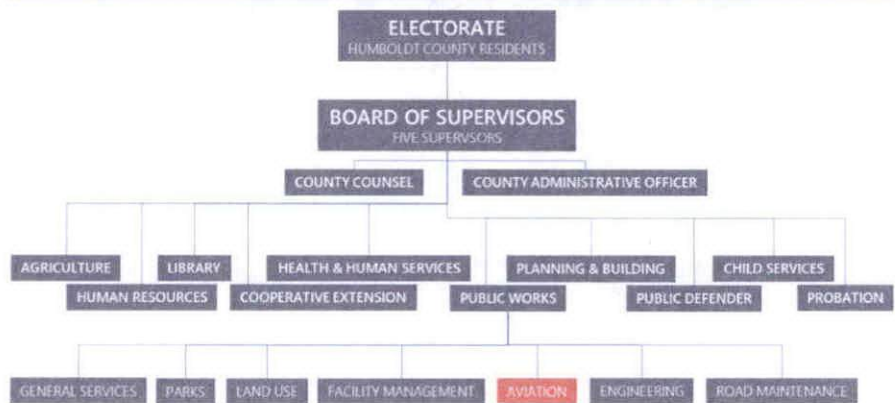
GOVERNANCE STRUCTURE OVERVIEW

The Humboldt County aviation division is responsible for managing six airports within the County, including one (Arcata-Eureka Airport, ACV) with scheduled daily airline service and one (Murray Field, EKA) with scheduled daily air cargo service. Somewhat uniquely, the aviation division is a sub-department of Humboldt County's Public Works Department. Humboldt County is one of just two in the State of California that places its aviation division within another county department.

The electorate of Humboldt County elects five Supervisors to oversee government operations (refer to chart 1). The Supervisors have 12 divisions, or departments, directly reporting to them. Public Works is one of these departments, with the Public Works Director reporting directly to the Board of Supervisors. The Department of Public Works is responsible for the administration of seven divisions. One of these seven divisions is the County's aviation and airport system.

CHART 1: HUMBOLDT COUNTY GOVERNANCE STRUCTURE
JULY 2017; SOURCE: HUMBOLDT COUNTY

Public Works oversees the operations of General Services, Parks, Land Use, Facility Management, Engineering, and Road Maintenance divisions (refer to chart 1). While all the divisions under Public Works can be classified as services, the aviation division has a distinctly different mission. It operates under a very specific set of rules

and regulations from the Federal Aviation Administration, the Department of Transportation, and CalTrans; unique to airports, requiring special and specific expertise.

Moreover, airports provide tremendous overall economic impact – driving business development for the region – significantly more than parks or land use planning. Unlike other divisions within Public Works, the aviation system is designed to be financially self-sustaining. The airport system operates as its own enterprise fund. While the system is not currently self-sustaining, the long-term goal of its governance is to return the system to being completely self-funded.
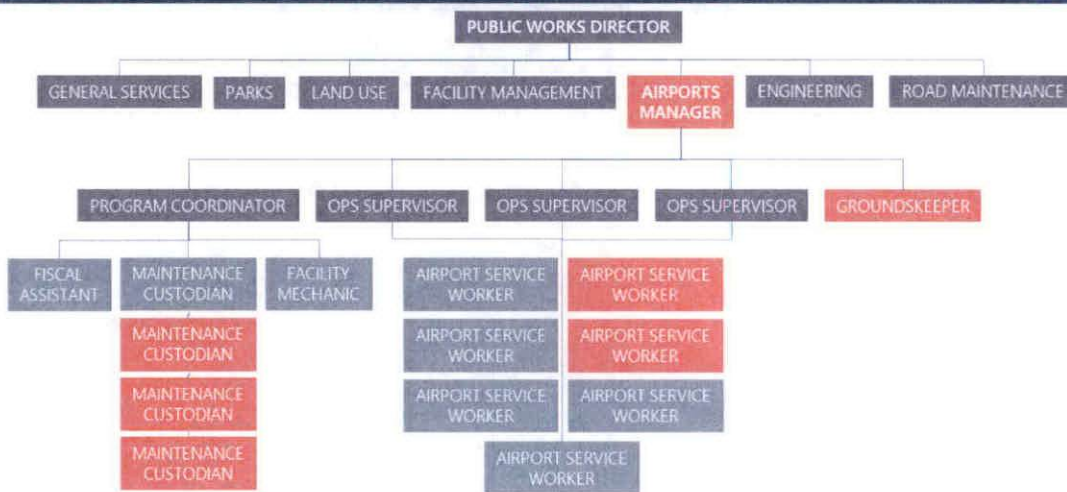
One of the most significant current challenges for the aviation division is the lack of an airports manager or director. The lead position for the division has been unfilled since 2013. This is highly unusual. Leading an airport system takes specialized knowledge due to the myriad of FAA, DOT, and State regulations specific to each type of airport. Due to budget concerns, this position has been left open with the Public Works Director forced to act as the de-facto airports director.

CHART 2: AVIATION DIVISION STAFFING PLAN
JULY 2017; SOURCE: HUMBOLDT COUNTY

PUBLIC WORKS DIRECTOR
- GENERAL SERVICES
- PARKS
- LAND USE
- FACILITY MANAGEMENT
- AIRPORTS MANAGER
- ENGINEERING
- ROAD MAINTENANCE

PROGRAM COORDINATOR | OPS SUPERVISOR | OPS SUPERVISOR | OPS SUPERVISOR | GROUNDSKEEPER

- FISCAL ASSISTANT
- MAINTENANCE CUSTODIAN
- FACILITY MECHANIC
- MAINTENANCE CUSTODIAN
- MAINTENANCE CUSTODIAN
- MAINTENANCE CUSTODIAN

- AIRPORT SERVICE WORKER
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In all, there are seven (noted in red on chart 2) vacant positions in the aviation division, all of which are frozen to balance the division's budget. The aviation division has just 12 people to oversee, manage, and maintain six airports throughout the County separated by as much as 82 miles.

In addition to the airport system operating without an airports manager, it currently operates with just one maintenance custodian – three custodian positions are unfilled (refer to chart 2 on previous page). The system also has two vacant service worker positions, leaving just five to handle all aircraft operations at Arcata-Eureka Airport (ACV). Airport service workers are the "utility players" of the system, working on everything from aircraft firefighting and rescue to aircraft fueling. Lastly, the airport system is without a single groundskeeper, meaning airport service workers must mow grass and tend to airport lands.

With extremely limited staffing, the airport system must lean on Public Works employees to accomplish basic airport tasks. In fiscal year 2016, the aviation division paid almost $100,000 back to Public Works for extra staff time.

With maintenance and grounds keeping staff so thin at the airports, the system paid Public Works almost $21,000 for extra maintenance work in 2016 (refer to chart 3). Without an airports manager, the system had to pay Public Works more than $50,500 for administrative services. Without enough management infrastructure, the airport system paid Public Works almost $28,000 for property management services. In all, the aviation division spent almost $100,000 reimbursing Public Works for services it cannot accomplish on its own due to limited staffing.

CHART 3: AVIATION PAYMENTS TO PUBLIC WORKS
FISCAL YEAR 2016; SOURCE: HUMBOLDT COUNTY

Extra Staff Cost Summary	
Maintenance	$20,622
Administration	$50,515
Property Management	$27,616
Total Charges	$98,753

The impacts of both limited staffing and the lack of an on-field airports manager will be detailed in this report. This report will also detail governance in peer airports within California, comparing governance effectiveness against current governance in Humboldt County.

EFFECTIVENESS OF CURRENT GOVERNANCE

This report seeks to determine the effectiveness of current governance in ensuring the airport system is efficiently operated, and that it has a governance structure which can foster growth eventually leading to financial self-sufficiency. Volaire Aviation consultants interviewed more than 25 people directly connected with the Humboldt County airport system including airport system staff, Public Works leadership, all County Supervisors, County administration, a wide collection of airport system tenants from each of its six airports, and members of the current Airport Advisory Committee. These interviews provide the best possible insight into the things the airport system does well and the areas in which it can— and should— improve.

> "...INTERVIEWS PROVIDE THE BEST POSSIBLE INSIGHT INTO THE THINGS THE AIRPORT SYSTEM DOES WELL, AND THE AREAS IN WHICH IT CAN AND SHOULD IMPROVE."

It is important to remember the airport system operates within a quickly evolving industry. Scheduled airline service evolves on almost a daily basis, as airlines re-allocate resources in the light of demographic shifts, cost increases, pilot shortages, and competitive changes. Airports must be agile and able to respond quickly to take advantage of opportunities as well to mitigate losses.

Additionally, as general and private aviation grows in importance and scope, airports must be able to quickly respond to tenants with varied needs – from large fixed based operators shuttling corporate executives to leisure flyers traveling for fun. It is more important than ever to have the authority to quickly respond to the business needs of all users and stakeholders.

Each person interviewed for this report shared the same goal: to see the airport system grow and succeed. The last four years have posed unprecedented challenges, with Public Works leadership and airport staff working together to do an admirable job of trying to balance the airports budget despite declining revenue. But interviews indicate there is much more work ahead to bring the system to sustainability.

> "THE GOAL OF THIS REPORT IS NOT TO SINGLE-OUT ANY ONE EMPLOYEE OR LEADER."

It is also important to remember the goal of this report is not to single-out any one employee or leader. It is the job of the consultants to remove personality and individuality from the analysis. Instead, this report focuses only on the structure of governance and how that structure could be improved to allow the system to run better and take better advantage of its natural position. While comments collected from those interviewed are sometimes pointed, they are not included as personal attacks. They are included as evidence of structural deficiencies in aviation division governance.

PART ONE:
SUB-DIVISION OF PUBLIC WORKS

The Humboldt County aviation division is one of just two in California that is a sub-division of another department within a county (the other being Sonoma County Airport in Santa Rosa). By comparison, there are seven airports within California that are their own county departments. Humboldt County's airport governance structure is rare.

In most California counties that own and operate airports, the airport system is separated from other governmental departments because airports are often the only "enterprise zone" within County governance. Enterprise zones are designed to be self-sustaining, which means they must run more like a business than a county service. However, in Humboldt County, airports are placed under Public Works, which is meant to run a number of essential county services, instead of county enterprises.

In interviews, many people noted the current governance structure puts Public Works in the difficult position of weighing airport system needs against all other department needs. Those in leadership at Public Works said, themselves, that airport needs are often not considered emergencies so they are moved to the end of the line. This is certainly true: when an essential road develops a slump, Public Works must immediately mobilize resources to fix it or face stranding or isolating people in a part of the County. In comparison, light fixture maintenance for an airport parking lot seems unimportant as it is non-essential.

With such limited airport system staff, it must rely on Public Works employees to help with maintenance of airport facilities. But that maintenance, according to multiple sources including Public Works, is often triaged to a lower priority. These decisions are not made for political reasons or due to relationships. The decisions are made because Public Works has a clear mission to maintain County infrastructure first. Frankly, that mission is defensible.

CHART 4: SUMMARY OF SUB-DIVISION CHALLENGES
SOURCE: VOLAIRE AVIATION CONSULTING

1. LACK OF BUSINESS/ENTERPRISE FOCUS
2. AIRPORT SYSTEM LOW PRIORITY FOR PUBLIC WORKS
3. TOO MUCH RELIANCE ON PUBLIC WORKS STAFF
4. PUBLIC WORKS OVERSEES MANY SUB-DEPARTMENTS
5. IMPRESSION OF POOR COMMUNICATION
6. UNCLEAR CHAIN OF COMMAND

A majority of Humboldt County Supervisors believe the Public Works Department does an admirable job managing the various disparate divisions. At the same time, they are concerned the current governance structure is handcuffing the airport division. One Supervisor was clear in saying Public Works is overloaded and has too many sub-departments making it difficult for anyone in a leadership role to truly take ownership of airport system decision-making.

Some airport system tenants were more pointed in their criticism of the current governance structure. One reported it is their belief that the relationship between the Public Works Department and the airports division is dysfunctional and that communication between Public Works and the airports is weak. Another reported witnessing what was called a "good old boy network" in which those working within the airport system are not

included, ostracizing them from the rest of the Public Works Department. Public Works leadership, it should be noted, disputes this assessment. Public Works leadership maintains it works to treat all its divisions with equal priority. Even with that being the case, it is still important in this document to note the impression airport tenants have of how current governance works.

The final challenge under current governance is the lack of a clear chain of command. The airport division has been without a professional airports manager for four years. Airport staff interviewed for this report said they are unclear of who they report to. They are not sure if they report to the current Project Coordinator or if they directly report to the Public Works Director. A lack of clarity in reporting structure can cause projects and initiatives to be delayed.

PART TWO:
TIMELINES FOR PROJECT COMPLETION

Most individuals interviewed for this report said that day-to-day decisions for the airport system are made on the same timeline as any other department or division within Humboldt County. The challenge, reported by most sources, is in accomplishing larger tasks. Some of those interviewed said they believe the Public Works Department is always swamped, so the department has little time to spend on work at the County's six airports. These sources noted that the Department does oversee seven divisions, some of which are of critical every day importance to taxpayers, such as road maintenance.

In interviews, Public Works leadership stated that airport system initiatives can't always be accomplished quickly, noting there seems to be an expectation that airports employees can pick up the phone and Public Work will be able to immediately handle the request. This is impossible, Public Works said, stating that proper procedures must always be followed.

Airport system tenants provided many examples of specific instances where slow reaction time, believed to be caused by the governance structure, caused the airports to provide poor service for extended periods of time. Projects can take many months to complete, partially due to limited airport staffing and partially due to Public

Works staff having so many divisions to cover. Because of this, some tenants say they do not even try to ask the airport system, or Public Works, to help as they believe the County always says no as a default position.

When PenAir announced it would begin new service to Arcata-Eureka Airport (ACV) it needed changes made to its ticket counter. PenAir was required to work through the County's architect, who, according to PenAir, had a backlog of other Public Works projects to complete first – and all were rated as higher priority. PenAir offered to design and build the ticket counter themselves, but they were denied that option by the County. It took nine months to finally replace the counters and the ultimate counter is not close to the design PenAir had requested. PenAir decided to leave the

> **CHART 5: SUMMARY OF PROJECT CHALLENGES**
> SOURCE: VOLAIRE AVIATION CONSULTING
>
> 1. **PUBLIC WORKS DOESN'T ALWAYS HAVE TIME TO IMMEDIATELY PROVIDE HELP TO AIRPORTS**
> 2. **PUBLIC WORKS PROCEDURES SLOW RESPONSE TIMES AT AIRPORTS**
> 3. **AIRPORTS ARE A LOW PRIORITY FOR PUBLIC WORKS**

counter as-is, but the Airline noted the County was much more difficult to work with than its other stations, where counter installations take days, not months. Other carriers might not have patience for these kind of delays and slow decision-making on seemingly simple projects could cost the market air service.

Similarly, the flight information screens in the ACV terminal were inoperative for more than nine months. SkyWest, the Airport's other airline tenant, repeatedly complained, but reported there was no urgency in fixing the screens. SkyWest became upset because there was no passenger information available on the status of flights for that entire period, which corporate found unacceptable. At the same time, PenAir also complained and reported to the interviewers of this report, that they were told the screens were a low priority.

PenAir has also reported the passenger announcement system at its gate in the terminal is inoperative. PenAir said it has reported the problem through official channels, but no one has contacted them about a fix. For now, as witnessed by the consultants who authored this report, PenAir agents merely yell to announce boarding of flights. The impression this leaves of Humboldt County is certainly not ideal.

Obvious to almost every person including those interviewed for this report, said airport staff works hard, is easy to work with, and does as good a job as possible with limited resources. As previously mentioned in this report, the airport division has just 12 employees to oversee and manage six airports throughout Humboldt County. The system has seven other airport positions that have been frozen to attempt to balance the system's budget. The result is the system spends almost $100,000 per year on extra staff from Public Works and the system is at the mercy of Public Works as to the availability of extra staff.

Business leaders interviewed for this report said they believe the County airport system currently just "exists," as there is not enough staff for it to do anything else other than react to problems. The same leaders said there certainly is not enough time for airport staff and management to think strategically about the future, as all staff and management time is spent keeping the airports operational.

Virtually all tenants of the airport system – of all six airports in the County – complained there is no airport system management with any decision-making authority on any of the fields. Many said they believe the contact structure is not clear – especially in outlying airports. Tenants said no one knows who to call when there is an issue or when someone has a question.

> "THE AUTHORS OF THIS REPORT TOOK DOZENS OF COMPLAINTS ABOUT THE LIMITED ATTENTION THE COUNTY'S SECONDARY AIRPORTS GET."

It is certainly difficult for an airport system, with six airports scattered over a wide area, to operate without a full-time professional manager, as has been the case in Humboldt County since 2013. Several large tenants said without an on-field manager, and with decisions being made by Public Works instead of by an expert in running airports, no one makes quick decisions. Public Works said, in its interview, that most airport system needs are not emergencies when

compared to other projects it oversees in the County so most requests for decisions take at least one to two weeks. The majority of other California airports, small decisions are made on-field and do not require the time of a departmental director from outside the airport system.

The authors of this report took dozens of complaints about the limited attention the County's secondary airports get. All tenants interviewed said they routinely do maintenance at secondary airports that should be done by the County. But they said if they did not do the extra maintenance, the facilities would be unsafe. Specifically, Cal Fire said it does the mowing at Rohnerville. At one point, there were so many weeds in the taxiways at Rohnerville that they had to actually mow the pavement.

Tenants of the airline terminal at Arcata-Eureka Airport (ACV) said the terminal is poorly maintained. They have seen both management employees and cross-utilized airport service workers cleaning bathrooms since there is only one custodian on staff. Airline tenants said the terminal is never truly clean and passenger complaints are common.

The lack of staffing manifests itself in other ways. For example, when a commercial airline flight takes off or lands, the airport is required to have a firefighting crew on standby. Because airport service workers, who are trained primarily as firefighters, are also being used to do things like clean the bathrooms in the terminal, sometimes those workers are cleaning toilets when planes take off and land. This means, in an accident, they would have to run to the fire house, get the equipment ready, and then respond. Federal Aviation Administration (FAA) Part 139 rules require response within 120-seconds of an accident to the midpoint of the farthest runway. Because the airfield is relatively small, airport service workers say they can still meet that minimum. But in an aircraft accident, every second counts.

CHART 5: SUMMARY OF STAFFING CHALLENGES
SOURCE: VOLAIRE AVIATION CONSULTING

1. **SPEND OF ALMOST $100,000 PER YEAR ON PUBLIC WORKS EXTRA STAFFING**
2. **NO PROFESSIONAL AIRPORTS MANAGER**
3. **NO TIME TO PLAN STRATEGICALLY**
4. **NO ON-FIELD DECISION MAKING**
5. **NOT ENOUGH STAFF TO MAINTAIN ALL SIX AIRPORTS ADEQUATELY**
6. **SAFETY CHECKS ARE RARE AT SECONDARY AIRPORTS**

Limited staff also means airports other than Arcata-Eureka and Murray Field are rarely visited. The airport system reports it only does a check of Rohnerville and Garberville airports once per month, or 12 times per year. Staff only completes a safety check at Dinsmore airport once every six months. Kneeland only gets checked once per year.

Public Works Department leadership said airport operations staff is very good, but they seem reluctant to call in help from other divisions. Airport system staff reported it can take weeks to get support from other divisions so, in the interest of working quickly, they try to do as much as they can on their own.

PART FOUR:
BUSINESS PHILOSOPHY

Many of those interviewed for this report, including business leaders, tenants, airport users, and even County Supervisors, said that the airport system is run too much like a Humboldt County service and not enough like a stand-alone business. The County's own mission statement for the airport system, in fact, says nothing about operating like a business, even though the airport is an enterprise fund:

"THE AVIATION DIVISION IS RESPONSIBLE FOR MANAGING SIX COUNTY AIRPORTS IN A MANNER THAT ENSURES AERONAUTICAL SAFETY, SAFETY OF THE TRAVELING PUBLIC, CONTINUED AIR SERVICE, AND COMPLIES WITH FEDERAL, STATE AND/OR LOCAL AVIATION RULES, REGULATIONS AND ADVISORIES."

Humboldt County Aviation Division Mission Statement, July 2017

Humboldt County Supervisors were vocal, in on-site interviews, that the airport division needs to be more focused on business-like decision-making and revenue development and not as focused on cost cutting. One Supervisor states that as an enterprise fund the airport system is non-functional because there is no entrepreneurial spirit and no business philosophy. At the same time, multiple Supervisors said they do not believe the airport division fits with the mission of Public Works, which is designed as a taxpayer service. Most Supervisors would prefer to see the

CHART 6: SUMMARY OF BUSINESS CHALLENGES
SOURCE: VOLAIRE AVIATION CONSULTING

1. **LIMITED EFFORT TO OPERATE AIRPORTS AS AN ENTERPRISE**

2. **DOES NOT MESH WITH MISSION OF PUBLIC WORKS, WHICH IS A SERVICE**

3. **FOCUS ON GOVERNMENTAL PROCESSES INSTEAD OF GETTING THINGS DONE**

airport system have more autonomy to make decisions and to adopt a broader focus on business and revenue development. It must, however, be kept in mind that, as a government agency, the airport system will still be subject to the same rules and regulations as any other division within the County's governance.

PART FIVE:
AVIATION ADVISORY COMMITTEE

Humboldt County has a current Aviation Advisory Committee. It was first established in 1999, and its form was altered in 2000, 2010, and 2011. According to those interviewed, the County promised the Federal Aviation Administration (FAA) it would institute the Committee as part of its FAA grant assurances. The committee is currently composed of nine members. Each of the five County Supervisors appoints one member, and the remaining four positions are appointed by a majority vote of all Supervisors.

At the time of the writing of this report, eight of the nine committee members were pilots in Humboldt County. Pilots are often members of advisory committees, as they have specialized knowledge about airport operations. But having a majority of pilots form a committee represents a conflict of interest. Some interviewed for this report even called the Committee a "pilot's club." The Humboldt County Aviation Advisory Committee votes on initiatives for all six of the County's airports, with the vote going to the County Board of Supervisors as a recommendation. Supervisors often vote in-line with committee recommendations, as committee members are supposed to know the subject matter best.

In Humboldt County's case, most pilots on the Advisory Committee could present a conflict between what's best for the aviation division and what's in the Committee's own best interest. For example, if airport system leadership wanted to institute or increase a landing fee, it would be conceivable that a pilot-majority committee would vote against it to keep its own costs lower. Similarly, if airport system leadership recommended an increase in hangar rent, pilots could vote no to scuffle the idea before it reached the Supervisors.

CHART 7: SUMMARY OF COMMITTEE CHALLENGES
SOURCE: VOLAIRE AVIATION CONSULTING

1. **FAA GRANT ASSURANCES REQUIRE ADVISORY COMMITTEE**
2. **POTENTIAL CONFLICTS OF INTEREST WITH MAJORITY PILOT MEMBERSHIP**
3. **BUSINESS FOCUS NEEDED INSTEAD OF OPERATIONAL FOCUS**

A current member of the Aviation Advisory Committee said, in an on-site interview, the Committee has too many members and has the wrong mission. With nine members, it has been difficult to get a quorum. This also illustrates the importance with which committee attendance is viewed by members. Some current members also believe the Committee's operational focus – advising the County on day-to-day operational issues in the airport system – is the wrong focus.

Some current committee members, some County Supervisors, and many business leaders in the region believe the true mission of the Advisory Committee should be to act like a corporate board, providing advice and helping airport system leadership with decision-making. This focus should be on running the airport system like a business; building economic activity and revenue instead of operational issues. The airport system has a staff of experts to handle operational issues, but business advice and acumen would be of greater value.

Many of those interviewed for this report would like to see the Aviation Advisory Committee completely re-structured, with a limited number of pilots and with more regional business leaders on the board. This change would mirror recent advisory board changes in other California communities.

AIRPORT GOVERNANCE IN CALIFORNIA

There are 26 current commercially served airports or airport systems in the State of California as of the summer of 2017, down from 30 just seven years ago. Since 2010, 13% of California airports have lost all scheduled airline service. Today's airports range in size from Los Angeles International Airport (LAX), with 186 non-stop cities and 76 million annual passengers to Inyokern Airport (IYK), with one non-stop city and just 12,120 annual passengers (refer to chart 8).

Arcata-Eureka Airport (ACV) ranks the 19th busiest in the State based on 2016 total passengers, with Stockton ranked just ahead and Redding ranked just behind (refer to chart 8). ACV averages 6.3 daily departures to two non-stop destinations (Portland and San Francisco) on two airlines (PenAir and United Express operated by SkyWest Airlines). In 2016, the Department of Transportation reports just over 145,000 passengers (one way) used ACV.

In this report Arcata-Eureka Airport is compared to other peers matched as closely as possible in terms of current air service. This allows the best gauge for how different governance types could be applied in Humboldt County. In California, however, there are no ideal corollaries to the Humboldt County Airport System, as most airports in the State are operated as single entities. The entire Humboldt County system will be compared, in some cases, to single airports, and full systems in other cases.

CHART 8: CA AIRPORTS BY PASSENGERS
CY2016; SOURCE: US DOT DATABASE OD1A

Rank	Airport	Code	2016 Passengers
1	Los Angeles Int'l	LAX	75,798,790
2	San Francisco Int'l	SFO	49,506,698
3	San Diego	SAN	20,853,512
4	Oakland	OAK	12,221,188
5	San Jose	SJC	10,943,086
6	Orange County	SNA	10,365,964
7	Sacramento	SMF	10,147,339
8	Burbank	BUR	4,370,899
9	Ontario	ONT	4,321,806
10	Long Beach	LGB	3,079,126
11	Palm Springs	PSP	1,876,906
12	Fresno	FAT	1,813,250
13	Santa Barbara	SBA	666,314
14	Monterey	MRY	391,468
15	Santa Rosa	STS	355,491
16	San Luis Obispo	SBP	326,965
17	Bakersfield	BFL	195,703
18	Stockton	SCK	187,241
19	Arcata-Eureka	ACV	145,103
20	Redding	RDD	90,419
21	Santa Maria	SMX	72,730
22	Mammoth Lakes	MMH	42,185
23	Imperial	IPL	18,675
24	Merced	MCE	18,300
25	Crescent City	CEC	17,056
26	Inyokern	IYK	12,120
Total			207,838,334

In the California, there are four basic types of airport governance, with some types grouped together because they are so similar. The main types of governance in California are airport or port authorities, city or county departments, city or county sub-departments, and airport or port districts. The Humboldt County Airport System is a county sub-division, as its management operates within the County's Public Works Department.

The most common airport governance type in California is the airport as its own city department. Almost 31% of all California airports with airline service are their own city departments – or eight airports, altogether (refer to chart 9). When airports operating as their own county departments are added to that tally – as they operate almost exactly like their city counterparts – a total of 15 of 26 California commercial service airports operate as their own department, or 58% of all airports with airline service.

CHART 9: CA AIRPORTS BY GOVERNANCE
SOURCE: VOLAIRE AVIATION CONSULTING

Governance Type	Number of Airports in CA
Airport Authority	4
City Department	8
City Sub-Department	1
County Department	7
County Sub-Department	2
Airport District	3
Port Authority	1
Total	26

The Humboldt County Airport System is one of just three in the State that operates as a sub-department to either a county or a city (refer to chart 9). Just 8% of California airports with airline service operate as County sub-departments. Just one airport operates as a city sub-department, meaning only 11% of commercially served airports in California operate with the same governance structure as the Humboldt County Airport System.

Airport authorities, airport districts, and port authorities are rarer in California than airports that operate as part of city or county government. There are just four independent airport authorities in California, and only three independent airport districts (refer to chart 9). Just 15% of California airports are run by airport authorities, while just 12% are run as airport districts. Both airport authorities and airport districts are autonomous of local government, and they can be difficult to enact, as their formation is dependent upon either a bill in the State

Legislature or a vote of the electorate. There is just one port authority in California – in Oakland – running both Oakland International Airport and the Port of Oakland.

PART ONE:
SUB-DEPARTMENTS OF CITIES/COUNTIES

Both the Humboldt County Airport System and the Charles Schultz Sonoma County Regional Airport are governed as sub-departments within their counties (refer to chart 10). There is just one city sub-department airport in California –Redding Municipal Airport. In terms of both daily airline departures and passengers, the Humboldt County Airport System, anchored by Arcata-Eureka Airport, is in the middle of this group. ACV has fewer flights and passengers than Santa Rosa and more than Redding.

CHART 10: AIR SERVICE ANALYSIS OF CALIFORNIA AIRPORTS WITH SUB-DEPARTMENT GOVERNANCE
SOURCE: VOLAIRE AVIATION CONSULTING

Code	Airport Name	Location	County	Non-Stop Cities	Airlines	Daily Departures	O&D Passengers
ACV	Arcata/Eureka Airport	McKinleyville	Humboldt	2	1	6.3	145,103
RDD	Redding Municipal Airport	Redding	Shasta	2	2	6.0	90,419
STS	Charles Schulz Sonoma County Airport	Santa Rosa	Sonoma	8	5	7.7	355,491

Passenger data as of the year ended March 2017, US Department of Transportation O&D Database.

Both Humboldt County and Sonoma County place their airports in a sub-division of Public Works (refer to chart 11) – the only two counties in California to do so. Redding's airport is a sub-division of the City of Redding's Department of Support Services.

CHART 11: GOVERNANCE DETAIL OF CALIFORNIA AIRPORTS WITHIN A SUB-DEPARTMENT
SOURCE: VOLAIRE AVIATION CONSULTING

Code	Airport Name	Governance Type	Governance Detail
ACV	Arcata/Eureka Airport	County Sub-Department	A Division of the County Department of Public Works
RDD	Redding Municipal Airport	City Sub-Department	A Division of the City Department of Support Services; Airport Director reports to the Director of Support Services, who reports to the Mayor and City Council
STS	Charles Schulz Sonoma County Airport	County Sub-Department	Airport is a division of the County's Public Works Department; Airport Commission advises County's Board of Supervisors on Airport related matters.

Passenger data as of the year ended March 2017, US Department of Transportation O&D Database.

California's three sub-department airports represent just 12% of all airports within the State with scheduled airline service.

CITY/COUNTY DEPARTMENTS

The largest proportion of airports in California are operated as their own departments either within their city or county of ownership. In all 15 of the 26 airports with scheduled airline service in summer of 2017, or 58% of all airports with scheduled service, are operated as their own departments — the single most common governance structure in California. Department airports range from huge operations such as Los Angeles and San Francisco, to much smaller airports such as Imperial and Mammoth Lakes (refer to chart 12).

CHART 12: AIR SERVICE ANALYSIS OF CALIFORNIA AIRPORTS WITH DEPARTMENT GOVERNANCE
SOURCE: VOLAIRE AVIATION CONSULTING

Code	Airport Name	Location	County	Non-Stop Cities	Airlines	Daily Departures	O&D Passengers
BFL	Meadows Field	Bakersfield	Kern	3	2	8.7	195,703
FAT	Fresno Yosemite International Airport	Fresno	Fresno	11	7	32.6	1,813,250
IPL	Imperial County Airport	Imperial	Imperial	1	1	4.8	18,675
LAX	Los Angeles International Airport	Los Angeles	Los Angeles	186	57	855.2	75,798,790
LGB	Long Beach Airport at Daugherty Field	Long Beach	Los Angeles	16	4	40.8	3,079,126
MMH	Mammoth Yosemite Airport	Mammoth Lakes	Mono	3	2	1.3	42,185
ONT	Ontario International Airport	Ontario	San Barnardino	14	7	89.4	4,321,806
PSP	Palm Springs International Airport	Palm Springs	Riverside	18	10	31.1	1,876,906
SBA	Santa Barbara Municipal Airport	Santa Barbara	Santa Barbara	7	3	21.5	666,314
SBP	San Luis Obispo County Regional Airport	San Luis Obispo	San Luis Obispo	5	3	12.1	326,965
SCK	Stockton Metropolitan Airport	Stockton	San Joaquin	3	1	4.4	187,241
SFO	San Francisco International Airport	San Francisco	San Francisco	148	50	551.1	49,506,698
SJC	Mineta San Jose International Airport	San Jose	Santa Clara	41	15	145.2	10,943,086
SMF	Sacramento International Airport	Sacramento	Sacramento	33	9	135.5	10,147,339
SNA	John Wayne Airport - Orange County	Santa Ana	Orange	23	7	124.2	10,365,964

Passenger data as of the year ended March 2017, US Department of Transportation O&D Database.

Several of the airport departments operate more than one airport like the system in Humboldt County. The strongest corollary is San Luis Obispo County, which recently created a new airports department, removing airports from General Services (refer to chart 13 on next page). The new department oversees three airports

within the County and recently appointed its first airports director who is charged with making airport decisions on the field. This governance structure change will be examined in more detail in the next section of this report.

CHART 13: GOVERNANCE DETAIL OF CALIFORNIA CITY/COUNTY DEPARTMENT AIRPORTS
SOURCE: VOLAIRE AVIATION CONSULTING

Code	Airport Name	Governance Type	Governance Detail
BFL	Meadows Field	County Department	Own department within the County; Strong executive design; Airport Director reports directly to the County's Board of Supervisors
FAT	Fresno Yosemite International Airport	City Department	Own department within the City; Airport Director reports to City Manager
IPL	Imperial County Airport	County Department	Own department within the County; Strong executive design; Airport Director reports directly to the County's Board of Supervisors
LAX	Los Angeles International Airport	City Department	Los Angeles World Airports is the Los Angeles city department that owns and operates a system of three airports: Los Angeles International (LAX), LA/Ontario International (ONT) and Van Nuys (VNY); Department has its own independent board of commissioners.
LGB	Long Beach Airport at Daugherty Field	City Department	Own department within the City; Airport Director reports to City Manager
MMH	Mammoth Yosemite Airport	City Department	Own department within the City; Airport Director reports to Airport Commission, which reports to the City Council and the Mayor.
ONT	Ontario International Airport	City Department	Los Angeles World Airports is the Los Angeles city department that owns and operates a system of three airports: Los Angeles International (LAX), LA/Ontario International (ONT) and Van Nuys (VNY); Department has its own independent board of commissioners.
PSP	Palm Springs International Airport	City Department	Own department within the City; Airport Director reports to City Manager
SBA	Santa Barbara Municipal Airport	City Department	The Airport Commission is an advisory body to the Santa Barbara City Council, which is the official governing body for the Airport.
SBP	San Luis Obispo County Regional Airport	County Department	Airport division is its own County department.
SCK	Stockton Metropolitan Airport	County Department	The Airport Commission is an advisory body to the Board of Supervisors, which is the official governing body for the Airport.
SFO	San Francisco International Airport	City/County Department	An independent department of the City and County of San Francisco
SJC	Mineta San Jose International Airport	City Department	The Airport Commission is an advisory body to the San Jose City Council, which is the official governing body for the Airport.
SMF	Sacramento International Airport	County Department	Own department within the County; Strong executive design; Airport Director reports directly to the County's Board of Supervisors
SNA	John Wayne Airport - Orange County	County Department	Own department within the County

Passenger data as of the year ended March 2017, US Department of Transportation O&D Database.

The majority of airports governed within their own city or county department also have airport advisory committees. These committees, as Humboldt County understands, help advise airports on both operational and business issues as well as aid with federal compliance.

In Humboldt County, department heads report directly to the Board of Supervisors. In a number of other counties in California, department heads report first to a County Administrative Officer (CAO) who then reports to the Board of Supervisors. This is the case in San Luis Obispo County, as well as in Stockton and Orange County.

PART THREE:
AIRPORT/PORT AUTHORITIES

In other states, airport authorities and port authorities are the most common type of airport governance. In California, there are just four airport authorities and one port authority that operates an airport (refer to chart 14). These authorities have their own, independent board of directors, appointed by government agencies within the authority's jurisdiction. In California, authorities operate both large and small airports, with the largest serving almost 21 million annual passengers (San Diego) and the smallest serving just over 17,000 annual passengers (Crescent City).

CHART 14: AIR SERVICE ANALYSIS OF CALIFORNIA AIRPORTS WITH AUTHORITY GOVERNANCE
SOURCE: VOLAIRE AVIATION CONSULTING

Code	Airport Name	Location	County	Non-Stop Cities	Airlines	Daily Departures	O&D Passengers
BUR	Bob Hope Airport	Burbank	Los Angeles	13	6	70.7	4,370,899
CEC	Del Norte County Airport	Crescent City	Del Norte	1	1	2.0	17,056
MCE	Merced Regional Airport (MacReady Field)	Merced	Merced	2	1	4.3	18,300
OAK	Metropolitan Oakland International Airport	Oakland	Alameda	45	13	172.8	12,221,188
SAN	San Diego International Airport	San Diego	San Diego	65	18	241.8	20,853,512

Passenger data as of the year ended March 2017, US Department of Transportation O&D Database.

Authorities in California can only be enacted in one of two ways: with the vote of a majority of the residents within the proposed authority's boundaries, or with the passage of an airport authority bill by the State Legislature. The most recent authority to be created was the body now operating San Diego's Lindbergh International Airport. It was created by a vote of the Legislature in 2002 (refer to chart 15 on next page). At the same time, the other airports within San Diego County were retained by the County and are operated as their own County Department. None of those airports have scheduled airline service.

Crescent City's authority is the only one in the State that is actually governed by a board nominated by governments in two states – both Oregon and California (refer to chart 15 on next page). Directors are nominated and confirmed by a number of California jurisdictions, along with the City of Brookings, Oregon.

CHART 15: GOVERNANCE DETAIL OF CALIFORNIA AUTHORITY AIRPORTS
SOURCE: VOLAIRE AVIATION CONSULTING

Code	Airport Name	Governance Type	Governance Detail
BUR	Bob Hope Airport	Authority	Independently operated by TBI Airport Management; Authority is made up of three cities with oversight: Burbank, Glendale, and Pasadena
CEC	Del Norte County Airport	Authority	Authority is an independent, autonomous body, operating under a Joint Powers Authority (JPA) with Directors from Del Norte County, Crescent City, Elk Valley Racheria, and the City of Brookings, Oregon.
MCE	Merced Regional Airport (MacReady Field)	Authority	Authority is an independent, autonomous body, operating independent of City owners.
OAK	Metropolitan Oakland International Airport	Port Authority	Independent Port commission with seven members nominated by the Mayor of Oakland and appointed by the Council for four-year terms.
SAN	San Diego International Airport	Authority	Formed into independent authority in 2003 with a Bill in the CA Legislature.

Passenger data as of the year ended March 2017, US Department of Transportation O&D Database.

There is no set number of board members, or participating jurisdictions, required in a California airport authority or port authority. In the case of Oakland's airport, the Port of Oakland runs both the airport and the sea port with executive directors for each line of business.

PART FOUR:
AIRPORT/PORT DISTRICTS

Just three airports with scheduled airline service in California are operated by airport districts. There are no current airports in the State with airline service that are operated by port districts. Districts differ from authorities in the State in that district governing boards are directly elected by a vote of the people living in the district. Districts in California operate smaller airports, ranging from 12,000 passengers per year (Inyokern) to 391,000 passengers per year (Monterey) (refer to chart 16).

CHART 16: AIR SERVICE ANALYSIS OF CALIFORNIA AIRPORTS WITH DISTRICT GOVERNANCE
SOURCE: VOLAIRE AVIATION CONSULTING

Code	Airport Name	Location	County	Non-Stop Cities	Airlines	Daily Departures	O&D Passengers
IYK	Inyokern Airport	Inyokern	Kern	1	1	1.1	12,120
MRY	Monterey Peninsula Airport	Monterey	Monterey	5	4	12.4	391,468
SMX	Santa Maria Public Airport	Santa Maria	Santa Barbara	2	2	4.9	72,730

Passenger data as of the year ended March 2017, US Department of Transportation O&D Database.

District board members are elected in one of two ways: either at large within the district, as in the case of Inyokern and Santa Maria, or by ward, as in the case of Monterey (refer to chart 17). Districts are governed the most directly of any type of airport governance in California, but there are drawbacks. It can be difficult funding qualified board candidates to run a public campaign. It can also be difficult to ensure the electorate knows the candidates and their qualifications before voting.

CHART 17: GOVERNANCE DETAIL OF CALIFORNIA DISTRICT AIRPORTS
SOURCE: VOLAIRE AVIATION CONSULTING

Code	Airport Name	Governance Type	Governance Detail
IYK	Inyokern Airport	Airport District	Airport Director reports to an independently elected group of Commissioners, not affiliated with any nearby cities or counties.
MRY	Monterey Peninsula Airport	Airport District	Airport Director reports to an independently elected group of Commissioners, who come from the municipalities surrounding the airport based on ward.
SMX	Santa Maria Public Airport	Airport District	Airport Director reports to an independently elected group of Commissioners, who come from the municipalities surrounding the airport.

Passenger data as of the year ended March 2017, US Department of Transportation O&D Database.

Districts can only be enacted by a vote of the people who live within the proposed district's boundaries. Although, in the case of Humboldt County, the County could enter into an intergovernmental agreement to allow the current port district to manage and operate the airports. It is not clear if that would be advantageous to the airport system, however.

Airport authorities and airport districts present several challenges, in terms of effecting governance change, which could be expensive and/or politically untenable. This is likely the reason California has so few airport authorities and districts. Nonetheless, authorities and districts offer a level of autonomy not offered should the Airport System stay within County governance.

DETAIL OF DEPARTMENT GOVERNANCE

The majority of California's commercially served airports are governed as their own departments within a county or a city. For this report, the focus will be on airports as their own department within a county, as it would be impractical for Humboldt County to shift ownership of airports to cities within the County. For this reason, city department airports have been eliminated from analysis. Altogether 58% of California airports with scheduled airline service, or 15 airport systems, are governed as their own county or city department, compared to just 12%, or three systems, governed as a sub-department.

> "THE MAJORITY OF CALIFORNIA'S COMMERCIALLY SERVED AIRPORTS ARE GOVERNED AS THEIR OWN DEPARTMENTS WITHIN A COUNTY..."

The governance structure of a county department airport in California is not greatly different from the current structure in Humboldt County. The Airport System would simply be split out of the Public Works Department and into its own department. In the case of Humboldt County, where there is not as extra layer of governance between the departments and the Board of Supervisors, management would report directly to the Board of Supervisors.

This structure would eliminate one layer of decision-making between the airports manager and the Board of Supervisors while increasing direct communication between the Airport System and top government officials. It would also give the airports manager more authority to make decisions without running those decisions by or through the Public Works Department. Under this structure, the Airports staff and structure of leadership, itself, could remain unchanged, although an airports manager must be hired. This structure will not change the decision-making body for the system, which will remain the Board of Supervisors.

CASE STUDY ONE:
SAN LUIS OBISPO COUNTY AIRPORTS DEPARTMENT

In 2011, the authors of this report completed a similar analysis and recommendation for San Luis Obispo County, which owns and operates three airports within its system. At the time of that report, the County's airport system was governed as a sub-department under General Services. That report recommended the airport system be broken out of General Services as its own department. The reasoning in that report was clear:

"This report has found significant challenges with the current governance structure of the San Luis Obispo County Airport System. The current governance structure has multiple reporting layers between the Airport management and the County board. This leads to a slower decision-making process. It also invites airport tenants to bypass airport management on critical issues. It leads to delays for relatively simple decisions due to the Airport having to take questions and requests "downtown" via a review and decision chain involving a number of County divisions. This then leads to a situation where airport management has little power to run what is a very successful self-sustaining business, with huge local economic importance."

"The weakness identified in this report is unresponsive airport oversight. The strength of the Airport System is the low cost of operation. The solution is a more centrally controlled management at the same cost."

San Luis Obispo County Airport Governance Structure Review, December 2011

Initially, San Luis Obispo County leadership resisted the idea of creating another department. It was thought at the time of the report that the County Administrative Officer (CAO) would have too much on his plate, as all

departments in the County reported directly to him. However, after a leadership change, and the hiring of a new CAO, the Board of Supervisors voted to create an Airports Department in 2015.

The current governance structure in San Luis Obispo County is quite simple. All departments, including the newly created Airports Department, report directly to the County Administrative Officer (CAO) (refer to chart 18). The Airports Department is led by an executive director, who has full department head authority within the County.

CHART 18: SAN LUIS OBISPO COUNTY AIRPORT GOVERNANCE
SOURCE: VOLAIRE AVIATION CONSULTING

ELECTORATE

BOARD OF SUPERVISORS

COUNTY ADMINISTRATIVE OFFICE

AIRPORTS DEPARTMENT

OTHER DEPARTMENTS

AIRPORTS EXECUTIVE DIRECTOR
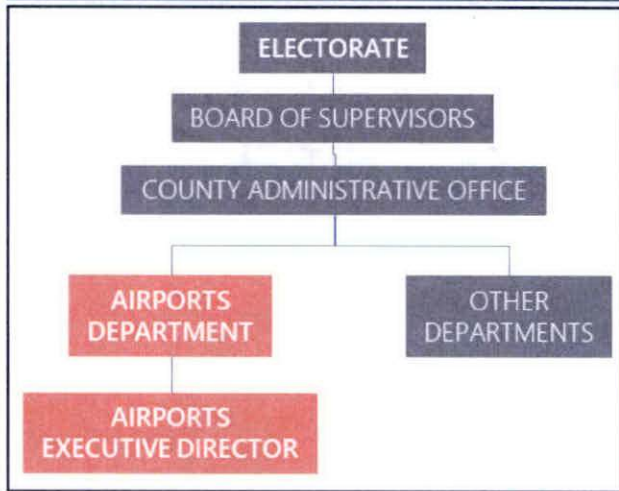
The governance change in San Luis Obispo County has been an unequivocal success. The airport system is moving forward with its new airline terminal, set to open in the fall of 2017. At the same time, the airports department has recruited new service on two routes bringing a new airline to the market. This was made easier as the airport director had authority to reach out directly and build a community coalition to develop incentives for new service. Before the governance change, General Services oversaw all incentive-building activities and decisions were slow to be made.

The community coalition quickly built by the airport director and staff at the end of 2015 successfully recruited Alaska Airlines to the market in 2016, with daily jet service to Seattle/Tacoma that launched in April of 2017. The airports department also worked hard with local economic development and tourism agencies to recruit Denver service on United. That service was announced in February of 2017 and launched in June. Both efforts had been handcuffed by previous governance and quickly saw success following the governance change.

CHART 19: SAN LUIS OBISPO AIRLINE FLIGHT DEPARTURES PER DAY
SOURCE: OAG SCHEDULE DATA, JULY 2017

The net result of the success of San Luis Obispo's service recruitment efforts is a large increase in airline capacity in the market. Peak summer departures per day at San Luis Obispo County Regional Airport are up from an average of 10.6 in 2016 to an average of 13.5 in 2017 (refer to chart 19) – an increase in flights of 27% year-over-year.

At the same time, the number of available airline seats in the San Luis Obispo market has increased by 38% over summer of 2016. With new service recruitment efforts paying off, the market will see an average of an additional 222 departing airline seats per day in summer of 2017 (refer to chart 20) – with a peak of 802 departing seats per day in August of 2017.

CHART 20: SAN LUIS OBISPO AVAILABLE AIRLINE SEATS PER DAY
SOURCE: OAG SCHEDULE DATA, JULY 2017
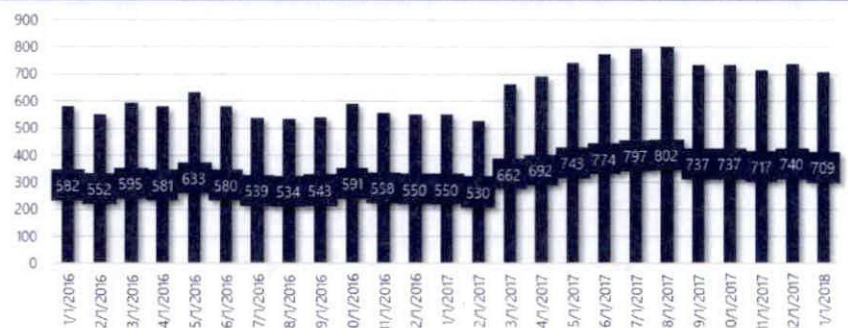
These additional airline seats will translate to significant additional revenue for the airport system. It earns an average of $15 per enplaned passenger. Based on current performance, the airport is adding an average of 150 enplaned passengers per day with the new service. The net result is an increase in daily revenue of $2,250 and a total annual revenue increase projected at more than $821,000.

The County credits much of the recent airport system success to the governance change. It has reported quicker responses from airport management to tenants and stakeholders. It has also reported a more involved airport with better links directly to the community. These changes helped to land additional airline service and grow airport revenue.
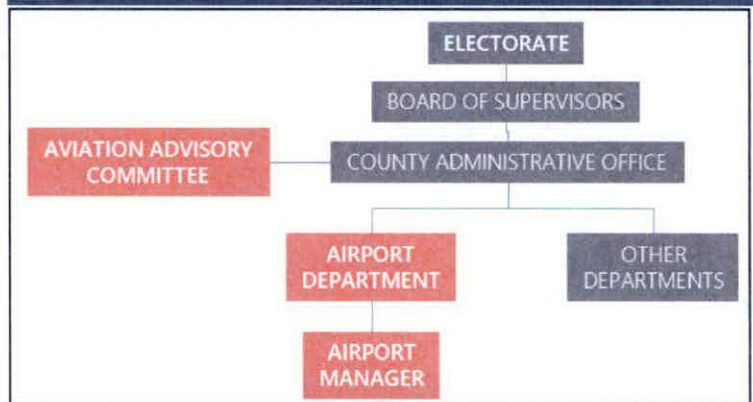
The Stockton Municipal Airport is owned and operated by San Joaquin County. Stockton is served only by less-than-daily carrier Allegiant Air. It does not have daily scheduled air service. Still, the airport saw a total of 187,000 passengers in the year ended first quarter 2017.

Much like Humboldt County, San Joaquin County elects a five-member Board of Supervisors for five distinct districts. Directly below the Board is the County Administrative Office (refer to chart 21). Beneath the Administrative Office is each of San Joaquin County's departments. The airport operates as its own department, with the airport manager acting as the department head.

CHART 21: SAN JOAQUIN COUNTY AIRPORT GOVERNANCE
SOURCE: VOLAIRE AVIATION CONSULTING

The San Joaquin County Board of Supervisors has an aviation advisory committee under its direct report (refer to chart 21). This committee is made up of members from a broad range of associated organizations and businesses, with the intent of giving airport stakeholders a direct line to their elected officials, without the filter of airport management. Unlike the current situation in Humboldt County, the aviation advisory committee structure places an emphasis not just on airport operations but also on running the airport like a business. It includes the following seven members:

1. **Transportation:** An individual who represents another mode of transportation other than aviation such as the Port of Stockton, or Rail Commission, or a large local, respected trucking company.

2. **Financial:** An individual representing a local bank, investment, or accounting firm.

3. **Aviation:** A large aviation tenant who uses the Airport for aviation purposes and is open minded to future development and competition on the field.

4. **Commercial Real Estate/Development:** A representative from a local commercial firm, other than the firm that is now in partnership with the County, to provide an independent outlook.

5. **Large Local Firm:** A firm that clearly understands the community and can provide historical background and share lessons learned.

6. **Airlines/Cargo:** An individual representing an airline or cargo firm now operating at the airport, or a firm that you would like to operate at the airport, or someone who may have retired from the airlines or an air cargo company.

7. **Academic/Educational Representative:** A representative from a higher education facility. As the Airport continues to grow it will be important for the local universities and technical colleges to keep pace and provide applicable classes and training for the workforce.

The San Joaquin County aviation advisory committee is a good example of how to leverage an advisory board to build community and buy-in. It is also a good example of how to bring people together to give advice on many aviation-related topics outside the expertise of airport management and county leadership. The board includes specialists with business, airline, real estate, and finance expertise – not just pilots.

SUMMARY:
COUNTY DEPARTMENT GOVERNANCE

The main advantage of direct county department governance in Humboldt County would be to remove one layer of bureaucracy from the decision-making process. The other main advantage would be to reduce the amount of airport money spent on extra staff time from Public Works staff members.

Personnel cost of the Humboldt County Airport System could change, if it is split out as its own department within the County. The airport manager position, which is currently unfilled and unfunded, would become the department head – but otherwise the staff could stay the same. The airport system already relies upon other County departments for certain services, such as legal, properties, human resources, and architectural support. This would not change – nor would it require a major change in the budget.

In short, the transition to a county department governance system could reduce decision-making timelines at the airports; give a manager more authority over how the airports are run; potentially improve responsiveness of airport management; potentially save money that is currently spent on Public Works fees; and provide a more direct line of communication between airport system management, the County Administrative Office, and the County Board of Supervisors.

"...THE REMOVAL OF IMPEDIMENTS TO DECISION-MAKING AT THE COUNTY LEVEL WILL BE A KEY TO THE SUCCESS OF ANY TYPE OF AIRPORT GOVERNANCE."

The transition would not solve problems with general County governance. These roadblocks will likely remain, no matter how the airport system is governed. This report was not commissioned to solve other roadblocks – but the removal of impediments to decision-making at the County level will be a key to the success of any type of airport governance.

The move to a County department could be made through a simple vote of the Board of Supervisors. This change could likely be affected in a matter of weeks, using the template of another County department to set up the management structure of the new airports department and a potentially re-structured aviation advisory committee.

DETAIL OF AUTHORITY GOVERNANCE

In on-site interviews in Humboldt County, a number of those interviewed who have a deeper knowledge of airport governance – most notably airport system tenants – said they would like to see the airport system gain more autonomy. Some think an airport authority would be the best option for running airports like a business. But they worry that the voters of the County do not understand the value of the aviation system so they would be unlikely to approve an authority in a vote.

In California, airport authorities are somewhat rare. Of the 26 commercially served airports in the State, just four are operated by airport authorities. Airport authorities in California tend to be created only when there are multiple jurisdictions that share ownership of, or interest in, an airport facility. There are no airport authorities in California that oversee more than one airport, or an airport system. Three of the airport authorities in California exist as joint powers agreements between multiple jurisdictions that all had partial ownership over an airport.

"THERE ARE NO AIRPORT AUTHORITIES IN CALIFORNIA THAT OVERSEE MORE THAN ONE AIRPORT, OR AN AIRPORT SYSTEM."

None of the airport authorities in California is of a similar size, in terms of passengers, facilities, or even staff levels, to the Humboldt County Airport System. Two are much larger: the Burbank – Glendale – Pasadena Airport Authority and the San Diego Airport Authority, while two are much smaller: Border Coast Airport Authority in Crescent City and the Merced Airport Authority.

Airport authorities do offer the airports they govern total autonomy from local government and they relieve local government agencies of all financial liability in running the airport. Authorities are completely independent under California's Public Utilities code. Moreover, actual ownership of airport facilities and land must be transferred from the jurisdiction that previously owned them to the authority. In all California cases, this has been done without payment to the original jurisdiction.

Airport authorities in California are overseen by a board of directors of five to nine members, depending on the number of parties in the joint powers agreement. Airport authority boards of directors are always appointed in California by the respective joint powers participants. Airport authority boards in California are not elected. Under this structure, the airport director reports directly to the board of directors of the airport authority. While the airport authority board is appointed by the various jurisdictions, the board has no legal ties to those jurisdictions, and the jurisdictions have no legal governance control of the airport.

"IN HUMBOLDT COUNTY AN AIRPORT AUTHORITY WOULD REQUIRE THE COUNTY TO GIVE UP OWNERSHIP OF THE AIRPORT SYSTEM."

In Humboldt County, an airport authority would require the County to give up ownership of the Airport System through a divestiture to the newly formed authority. In turn, the County Board of Supervisors would have the right to select the Airports' board of directors each term, which would typically run for four years. The County would also divest all budget control and oversight, along with all liability for Airports budget shortfalls.

Airport authorities in California have the right to issue bonds in their own names, without oversight from the previously governing jurisdiction, but those bonds are also without liability to the previously governing jurisdiction. Airport authorities can levy taxes in their jurisdictions – in this case all of Humboldt County – but none of the current airport authorities in California levy such taxes. A tax levy can only pass with a super majority vote of the electorate in the jurisdiction. This can handcuff airport authorities in providing financing for airports in difficult economic times.

CASE STUDY ONE:
## BORDER COAST AIRPORT AUTHORITY, CRESCENT CITY

The Border Coast Regional Airport Authority is charged with governing the Del Norte County Regional Airport in Crescent City. The Border Coast Authority is unique in California, and in the West, because it includes jurisdictions in both California and Oregon.

While the Del Norte County Regional Airport used to be owned and operated by Del Norte County, it was organized into an airport authority, through California legislation, and then multiple jurisdictions signed a joint powers agreement giving the authority its local power to operate the Airport. As part of the agreement, the County turned over the airport land and facilities to the authority, which is now governed by a regionally-appointed board representing both states. The joint powers agreement that formed the authority can be found in Appendix Two to this report.

Like other California airport authorities, the board of the Border Coast Regional Airport Authority is appointed by regional stakeholders. In this case there are five appointing agencies (refer to chart 22). Del Norte County appoints three members to the seven-member board of directors, while Crescent City, Curry County, Oregon, Gold Beach,

CHART 22: BORDER COAST AIRPORT AUTHORITY GOVERNANCE
SOURCE: VOLAIRE AVIATION CONSULTING

ELECTORATE

DEL NORTE COUNTY BOARD

MAYOR OF CRESCENT CITY

CURRY COUNTY (OREGON) BOARD

MAYOR OF GOLD BEACH

ELK VALLEY RANCHERIA

AIRPORT AUTHORITY APPOINTED BOARD

AIRPORT DIRECTOR

Oregon, and the Elk Valley Rancheria each appoint one member. The stakeholder communities do not have any financial burden or liability for the Airport – it is completely independent except in the stakeholder communities' ability to appoint board members.
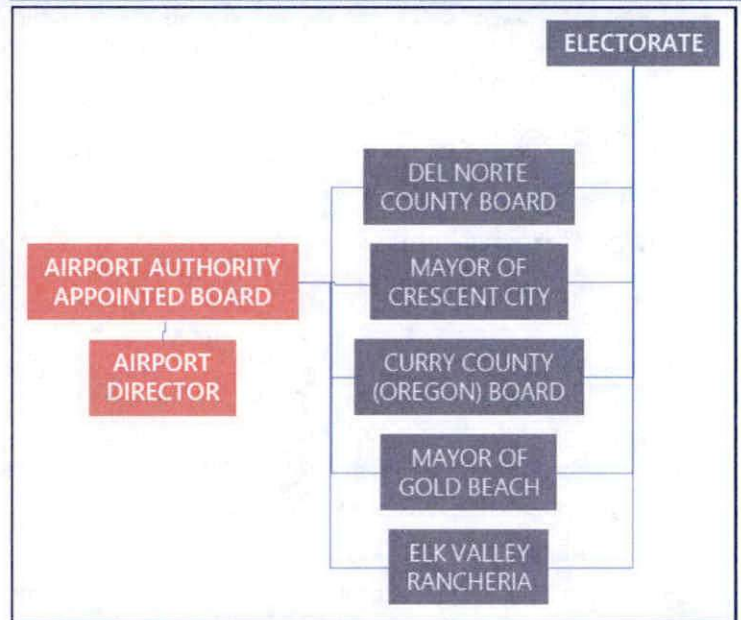
Del Norte County Regional Airport shares some governance challenges with the Humboldt County Airport System. Due to the small size of the airport in Crescent City, it does not have its own department such as legal, risk management, and properties. These services are contracted from the County. This can slow decision-making in much the same way decisions tend to be delayed in Humboldt County. In smaller airports that do not have the passenger traffic to warrant a large on-site staff, there are often few advantages in decision-making speed to airport authority governance. Most advantages come in the form of reduced budgetary liability to the local cities or counties.

The authority in Crescent City does shield the local governments from financial liability in the operation of the airport. At the same time, if the airport were ever to face a major deficit, it would be faced with attempting to levy a property tax. The authority also creates additional cost in the operation of Del Norte County Regional Airport as it must find staff – whether directly employed by the Airport or on contract – to cover many of the missions the County would cover at reduced cost

CASE STUDY TWO:
BURBANK-GLENDALE-PASADENA AIRPORT AUTHORITY

Bob Hope Airport operates under the Burbank – Glendale – Pasadena Airport Authority, which was established by a legislative act to create the authority, followed by a joint powers agreement between all three cities to establish the authority's governance. Each of the three cities appoints three members to the nine-member airport authority board of directors (refer to chart 23).

The authority's board of directors is intentionally isolated from the pressures of the electorate, as the authority's only link to the electorate is through the city councils. The executive director of the airport reports directly to the

CHART 23: BURBANK AIRPORT AUTHORITY GOVERNANCE
SOURCE: VOLAIRE AVIATION CONSULTING

board, which does not directly report to the cities, but its directors must gain appointment from the cities – the
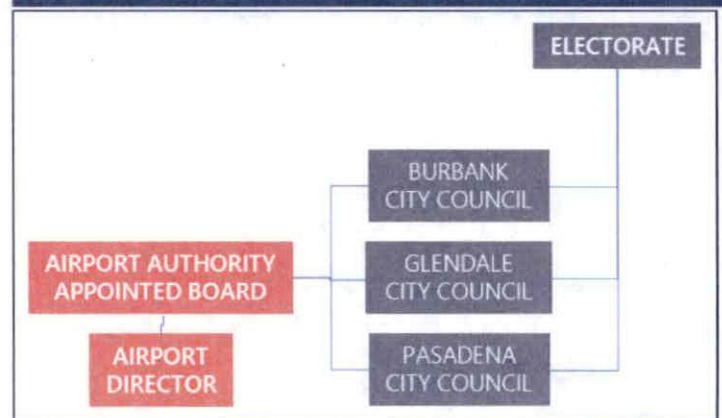
only link the cities maintain to the governance of Bob Hope Airport. As part of the joint powers agreement, the cities agreed to give up control of the Airport's land and facilities, which are now wholly-owned and operated by the authority itself. This is a prerequisite to the formation of an airport authority in California.

Under the structure of the airport authority at Bob Hope Airport, there is little oversight from elected officials. Their only impact on the operations and decisions made at the Airport is through their appointment of directors. This is a strength of the airport authority system in California in that it ensures the airport is being run like a business and the airport is responsive to stakeholders and tenants. But it is also a weakness in that the electorate has little control over the direct governance of the airport.

> "...IT IS UNLIKELY THE AIRPORT SYSTEM WOULD SEE ANY TRUE COST EFFICIENCIES. IN FACT, IT IS LIKELY THAT GOVERNANCE UNDER THIS STRUCTURE WOULD END UP COSTING MORE."

Airport authority governance does speed up the decision-making process for airport management. Airport executive directors under airport authority governance have much more control than directors under city or county governance in California. The entire structure of airport authorities is designed to be able to react to business demand of running an airport and to separate an airport from political will.

If the Humboldt County Airport System were separated into an airport authority to mirror the one at Bob Hope Airport, it is unlikely the Airport System would see any true cost efficiencies. In fact, it is likely that governance under this structure would end up costing more as the Airport System would have to either hire staff to handle legal and architecture, among other functions, or continue to contract those services to the County.

It does not appear Humboldt County – or its Airport System – naturally fits the mold designed for airport authority governance in California. Airport authorities were primarily created to bring multiple ownership groups together in a way that all could fairly manage an airport to maximum benefit to all groups. The two authorities reviewed in this report bring together diverse governmental organizations – not just stakeholder groups – into an autonomous governing body designed for the maximum benefit of the collection of communities.

Most of those interviewed for this report believe it would be difficult to muster the political will to form an airport authority in Humboldt County. One member of the Board of Supervisors noted a roads referendum for $10 million failed with less than half the vote. An authority in Humboldt County would almost certainly need to levy a tax to support the airport system in order to cover its extra costs, outside the County.

> "MEMBERS OF THE EUREKA CHAMBER SAID IN ON-SITE INTERVIEWS THAT THEY WOULD BE UNLIKELY TO SUPPORT DUE THE FORMATION OF AN AIRPORT AUTHORITY."

Members of the Eureka Chamber said in on-site interviews that they would be unlikely to support the formation of an airport authority due to potential tax implications. The Chamber would prefer the airport system stay with the County.

As Humboldt County is the sole owner and operator of the Airport System, there are no other apparent stakeholder communities that have an ownership interest in the Airport System. There are no diverse governmental jurisdictions in Humboldt County to bring together under an authority. While an airport authority could speed up decision-making and responsiveness of airport management, it would not be solving a problem in jurisdictional direction as it did for Bob Hope Airport or Del Norte County Regional Airport.

A major roadblock to the formation of an airport authority in Humboldt County is the motivation for the County, itself, to divest its airport control to an outside authority, and to an authority that will likely have some members that are not appointed by the County itself. In all other California airport authorities, multiple jurisdictions appoint authority board members. There would be no point to forming a separate authority in Humboldt County if the very Board of Supervisors that currently oversees the Airport System is appointing all the authority board members. All an authority would do is add another layer of government in the County in this case. A re-structured airport advisory committee might be as effective.

Another major challenge to creating an airport authority for the Humboldt County Airport System is cost. Airport authorities can only be created in a two-step process. First, the authority must be established in California law, through the State legislature, with a signature from the Governor. Second, the agencies that will appoint airport authority board members must sign a joint powers agreement stating exactly how the authority will be governed.

CHART 24: COST OF AUTHORITY FORMATION
SOURCE: VOLAIRE AVIATION CONSULTING

Project	Cost
Draft of Authority Bill	$5,000
Lobbying for Passage	$60,000
Draft of Joint Powers Agreement	$5,000
Total	$70,000

According to airport lobbyists interviewed for this report there is small cost in drafting a suitable bill for legislative review and passage. This draft will have to be generated at County expense through the State Office of Legislative Counsel. This cost would be less than $5,000. There will, however, also be expense and time in seeing that bill through both chambers of the State legislature and onto the Governor's desk. Generally, lobbying for a bill of this type would cost around $5,000 per month. A bill of this type would take between nine and 12 months to find its way to the floors of both chambers. The lobbying cost is estimated to be between $45,000 and $60,000.

It is possible the bill could fail in one chamber or the other depending on the political climate. Should the bill pass, and be signed, there would then be legal cost in drafting a joint powers agreement – along with the cost of deciding which other jurisdictions in the region should be able to appoint members to the board. This cost

is estimated to be at least $50,000. The County would have to give up all control of the Airport System, and ownership of the airports, in this process.

Finally, there would be additional cost in establishing a full airport staff, or airport contracts, to handle all of the services that are currently provided by the County. The Airport System would likely need additional accounting and professional staff. Then the Airport System would need to determine how to best provide for legal services, risk management, and human resources, among other County services.

An airport authority would allow the County to divest its interest in the Airport System and to eliminate its budgetary liability for the Airports. This might be attractive to County leadership, especially in a time of financial crisis. However, should the Airport System run at a deficit as an airport authority, it would either have to raise user fees or pass a property tax to fund the Airports, which would likely be politically impossible. The move to an airport authority could put the Airport System on uneven financial footing with a risk of a reduction in overall activity through increased rates as a result of increased costs.

VOLAIRE
AVIATION CONSULTING

DETAIL OF DISTRICT GOVERNANCE

There are two major essential differences between a California airport district and an airport authority. One: an airport district can only be created by the electorate, through a general election, rather than being created by the legislature. And two: an airport district has board members that are elected directly by the voters, instead of appointed by regional jurisdictions. The result is a clear and clean chain of command and total airport autonomy.

There are just three airport districts in the State: the Indian Wells Airport District in Inyokern, the Monterey Peninsula Airport District, and the Santa Maria Public Airport District. The fact that only three airport districts exist likely reflects the difficulty in getting an airport district passed by the electorate and the increased cost of operation of an airport that is overseen by its own district.

> "DISTRICTS OPERATE AS THEIR OWN INDEPENDENT GOVERNMENTS, WITH THEIR OWN ELECTED OFFICIALS AND THEIR OWN ACCOUNTABILITY TO THE ELECTORATE."

California airport districts are completely independent of all other governance structures in their regions. Districts operate as their own independent governments, with their own elected officials and their own accountability to the electorate. Districts are always governed by a board and they always have defined boundaries. The voters elect a board of directors, which usually has five members. Those directors appoint an airport executive director, who runs the airport with his or her management team.

Unlike airport authorities, California airport districts provide direct accountability to the electorate. One drawback is that there often are not enough interested candidates to fill all the positions on the board. Another drawback is the fact that the electorate usually knows very little about the candidates running for the airport district board, which means those seeking political advancement, rather than the airport's best interest, sometimes get elected.

An airport district would also strip Humboldt County of its interest in the Airport System. If a district was enacted by voters in the County, the Airport System would become the property, and the responsibility, of the district itself. The County would lose ownership, but it would also give up all budgetary liability. The district would continue to run the Airport System as an enterprise fund and it would be responsible for balancing the budget.

Airport districts are given taxing authority under California law. Only one airport district in the State takes advantage of that authority, but the others have the authority. An airport district property tax can only be enacted with a super majority vote of the electorate within the district's boundaries. As airports are competing with schools and other social services for property tax funding, it is rare for an airport district tax to pass.

CASE STUDY ONE:
MONTEREY AIRPORT DISTRICT

The Monterey Peninsula Airport provides the clearest example of how an airport district works in California, as the Airport is totally self-sustaining, and is the only one in the State to provide all of its own services under the district.

The Monterey Peninsula Airport District is governed by a board of directors made up of five members elected at large by all those living

CHART 25: MONTEREY DISTRICT GOVERNANCE
SOURCE: VOLAIRE AVIATION CONSULTING

ELECTORATE

DISTRICT BOARD OF DIRECTORS

AIRPORTS DEPARTMENT

AIRPORTS EXECUTIVE DIRECTOR

within the District's boundaries (refer to chart 25 on previous page). Each board member serves a four year term, and the terms are rolling, with an election to some of the seats every two years. The strength of an airport district is that it provides the electorate within the district direct control over the airport and total transparency. The weakness is that the airport's board of directors is often filled with those who have political aspirations, but little knowledge of how airports should run.

In the case of the Monterey Peninsula Airport District, the District has all of its services under the executive director, including its police department and fire department. This is unique to California airport districts, but it ensures the airport has all the services it needs, provided directly by the district, itself. Other services within the district include legal and accounting.

"THE INCREASED COST OF AIRPORT STAFF IN MONTEREY LEADS TO HIGHER COSTS FOR AIRPORT TENANTS, INCLUDING THE AIRLINES THAT SERVE THE MARKET."

The impact of having a strong executive design is that an airport executive director has the authority to quickly make decisions on items airport management is not authorized to decide on in city and county airports. Decisions on airport events can be made quickly by airport management, and by airport staff, whereas the same decisions must go through Humboldt County government, soaking up time and resources.

The challenge created by having all services within an airport district is the cost. The increased cost of airport staff in Monterey leads to higher costs for airport tenants, including the airlines that serve the market. This increased cost has hurt the Monterey Peninsula Airport District in the recruitment of additional air service.

CASE STUDY TWO:
SANTA MARIA AIRPORT DISTRICT

The Santa Maria Public Airport District is the only airport district in California that levies a property tax. All airport districts have taxing authority granted by the State. Research shows Inyokern and Monterey do not use their taxing authority while the Santa Maria Public Airport District levies a 1.11 cent property tax per $1,000 of valuation. It is unclear, from the research, how much this property tax generates in revenue per year, as it is not reported to the Federal Aviation Administration (FAA) as operating revenue. The owner of a $250,000 home in the district would pay an average of $2.78 per year in airport-related property taxes. A property tax, like the one levied in Santa Maria, can only be enacted by a super majority (two-thirds) vote of the district's electorate.

> "THE SANTA MARIA PUBLIC AIRPORT DISTRICT IS THE ONLY AIRPORT DISTRICT IN CALIFORNIA THAT LEVIES A PROPERTY TAX."

Outside the use of a property tax to help fund the district, the Santa Maria Public Airport District is set up almost identically to the two other districts in the State – Monterey and Inyokern. The district board of directors is elected by the district's voters to four-year terms. There are five directors in total although there was a period in which only four of the positions were filled. This left the district with challenges, as several votes were two to two, with no provision in the district's authorization for a tie-breaking vote.

Nonetheless, the airport district governance structure in Santa Maria generally allows for quick decision-making and quick reactions from airport management and staff. The executive director has significant authority to make decisions on day-to-day operations and airport event approvals. The executive director does have in-house counsel as a resource. Still, most property issues and other approvals must get board approval. In these cases, decision-making is hampered by the limited board meeting schedule – just once per month.

As in other California airport districts, there is an increased cost associated with this type of governance. As most functions must be "in house" in a district – as it operates with complete autonomy from all other local

government – the cost of airport management and staff is higher in districts than it tends to be in city or county airports.

There are several potential pitfalls to the development of a similar district in Humboldt County. First, airport cost will likely be increased beyond the savings the Airport System would realize from reducing the amount it pays the County for management services. Second, the County would lose control of its airports – including its ownership share. And third, it is unlikely, in the current political and economic environment that a new airport district would be able to institute a property tax through a vote of the electorate – no matter how small.

SUMMARY:
AIRPORT DISTRICT GOVERNANCE

Airport districts are formed under California special districts law. In essence, an airport district is no different than an independent water district, a park district, or even a zoo district. Special districts have been praised as a form of direct democracy. At the same time, they have been criticized for fragmenting government and creating more taxing agencies for the electorate.

While there are no airport districts in California that currently oversee multiple airports, this would not be a factor in the potential formation of a district in Humboldt County. Special districts can encompass whatever the voters of the district approve. A district could be created that includes all six Humboldt County airports with a single set of airport management.

The first challenge in forming an airport district in Humboldt County will be getting the voters to approve it. Airport districts, by their nature, are taxing authorities. While there are districts in the State that do not exercise their taxing authority and while the Humboldt County Airport System might reassure the electorate it does not plan to request a tax, the referendum for the approval of the district must be transparent and explain the new district's taxing authority. In the current political climate, it could be exceedingly difficult to get voters to enact a new form of government even if it does not come with an immediate tax.

This worried members of the current Humboldt County Aviation Advisory Committee who said a district would not be viable until there is a narrative in the community about air service success and the value of the airport system to the general taxpayer. The narrative might also have to include information about how the County tax burden would decrease if the district was passed, and that would be highly unlikely with current County revenue challenges.

The Airport System could also be folded into the current Harbor District with an intergovernmental agreement or a vote of the County electorate. But the feeling in on-site interviews was the Harbor District has too many other lines of business to manage and would not be prepared to take on the County's airports.

"...THE HARBOR DISTRICT HAS TOO MANY OTHER LINES OF BUSINESS TO MANAGE AND WOULD NOT BE PREPARED TO TAKE ON THE COUNTY'S AIRPORTS."

There would be significant expense to the County and the Airports in preparing the measure for the ballot and putting the measure on the ballot. The first step would be for a set of registered voters to apply to the Local Agency Formation Commission (LAFCO) for the creation of the airport district. Then, if approved by LAFCO, the formation would be open to a public hearing. Following the public hearing LAFCO would schedule a protest hearing, in which a majority protest – or signatures from a majority of the electorate in the proposed district – would end the process. If there is no majority protest, the referendum would go to the voters. The County would incur additional expense in educating voters about the potential value of the district.

Research for this report from the Voting Technology Project, a joint effort of Cal Tech and MIT, shows, "there is no ready answer [to the cost of local elections]." The same report estimated a special referendum cost – a district election such as this – at $10 per voter, or $900 per precinct. The website completecampaigns.com reports that the average election advertising per vote is $14.

Another roadblock to the formation of an airport district in Humboldt County is the motivation for the County, itself, to divest its airport control to an outside district. As would be the case in an airport authority, an airport district would take control of all County land and facilities at both airports. The district would also take financial responsibility for the Airport System's budget and debts. A district would add another layer of government in the County, but the County would essentially lose the land and the facilities it owns at its six airports.

> "A DISTRICT WOULD ADD ANOTHER LAYER OF GOVERNMENT IN THE COUNTY, BUT THE COUNTY WOULD ESSENTIALLY LOSE THE LAND AND THE FACILITIES IT OWNS AT ITS SIX AIRPORTS."

California's airport districts do have three distinct advantages. One, they can tailor their services to the demand of those who use the facilities. Airport districts do not have to be accountable to the political pressures of county board governance. Two, airport districts can run more like a business with airport users paying fees that cover the cost of the operation of the airport; assuming the district does not levy a district wide tax. And three, districts tend to be more directly responsive to their constituents. Airport district board members are directly elected within the district, so, unlike an appointed airport authority board, they must be directly accountable to the electorate for their actions. This can sometimes be bad for an airport when a vocal sub-community is able to elect an anti-airport board member.

There are also several distinct disadvantages to airport district governance, outside the increased cost of operation of an airport as a district. First, airport districts create another independent layer of government. The citizens of many counties already feel as though they are "over governed" and a new district, with the sole mission of running an airport, can feel like a waste of taxpayer time and resources. Second, the State of California reports that special districts often hinder regional planning. In the case of an airport district, the district has sole control over airport impact on the community from issues such as aircraft noise. Under district control, the county loses its say over these types of issues, and coordination between agencies becomes more

time consuming and expensive. Finally, although it would not appear to be the case, special districts actually have the impact of decreasing the accountability of the district to the taxpayer.

While it is true the taxpayer elects the district's board of directors, districts are so specialized in mission that it can often be difficult for the residents of a district to keep informed on the decisions being made. Districts are not visible in most communities, which makes it difficult for residents to know who's in charge. Moreover, airport district elections take place during Presidential elections and mid-term elections, which means those running for airport district boards get little attention, and the electorate spends little time learning about those candidates. This can lead to a board being elected that it not well suited for making important airport decisions.

RECOMMENDATIONS FOR FUTURE GOVERNANCE

While the report has made it clear there are significant challenges with the current operations of the Humboldt County Airport System, it has not been pre-determined that those challenges necessitate a governance structure change. A change can only be recommended if:

1. The change would improve or eliminate a significant number of the challenges identified by the stakeholders interviewed for this report that the status quo could not;

2. The steps to achieve the change are feasible in the current political environment in the County;

3. The change would be legal under current California and federal law.

The cost of achieving a change in the governance structure of the Airport System is another, separate issue. While costs are factored into the recommendation they are not a deciding factor in the recommended future governance structure so long as the future governance structure is designed to increase revenue through better airport operations. If a new structure provides substantial increases in service quality or Airport System efficiency that structure should be considered despite cost. This philosophy is consistent with the direction of the Board of Supervisors, all members of which were interviewed for this report, and a majority of which said short term cost increases are worth it to create a self-sustaining Airport System in the future.

Any governance change will seek to remedy as many challenges as possible with the current operation of the Airport System. It is clear that some of the problems are manifested by the lean staff and the lack of an airports manager. Lean staffing causes the Airport System to spend almost $100,000 per year on extra staffing from

Public Works. It also has resulted in airports that many report as not adequately maintained and infrequent safety checks at outlying airports. Moreover, without an airports manager, there is no on-field decision-making, an unclear chain of command, and no strategic business planning focus.

Other challenges appear to be caused by the current positioning of the Airport System as a sub-department within Public Works. These challenges include the incompatible missions of Public Works' sub-departments, wherein all but one – the Airport System – are not independent enterprise funds. Many interviewed for this report stated they believe the mission of Public Works does not fit with the business mission of an enterprise fund and limits the Airport System's business focus.

"MANY INTERVIEWED FOR THIS REPORT STATED THEY BELIEVE THE MISSION OF PUBLIC WORKS DOES NOT FIT WITH THE BUSINESS MISSION OF AN ENTERPRISE FUND..."

At the same time, the current Aviation Advisory Committee is designed to advise the County on airport operations issues, instead of a focus on leveraging the airports for business and economic growth. The Committee has a conflict of interest with eight of nine members being pilots. The County is missing an opportunity to place regional leaders on the Committee in order to use their wide-ranging business experience to develop strategic revenue growth options for the airports.

The goal then becomes identifying a governance structure that can help the Airport System operate most efficiently, ensure a forward-looking business focus, provide oversight and staffing to adequately maintain airports, and reduce spending on Public Works staff time, reducing the burden on Public Works to use precious resources on items it deems as non-emergencies at the airports. At the same time, the recommendation must consider the desire of the Board of Supervisors, stated in interviews, to retain the airports, and the lack of political will to create a new government sub-division within Humboldt County.

GOAL ONE:
CREATE AN AIRPORTS DEPARTMENT

Two of the five members of the Board of Supervisors said they would not support any move of the Airport System to another governmental body. Another said a move is politically impossible because voters would never support it. The authors of this report concur the Airport System, in order to stay financially viable, needs to be able to use the staffing resources and expertise of other County departments.
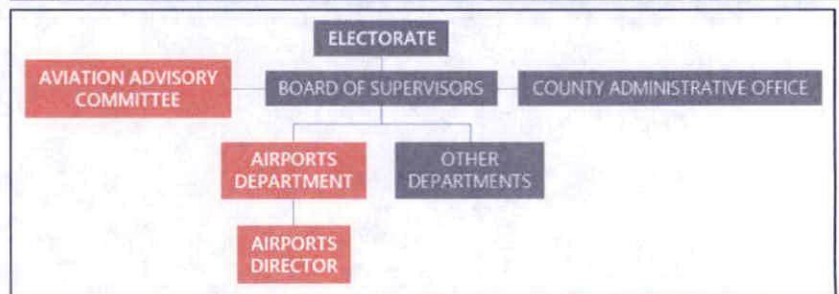
An ideal governance structure for the Humboldt County Airport System is one that will allow it to run more like a business under the enterprise fund concept. The ideal structure will give the manager of the Airport System direct control over the airports and ensure elected officials oversee major decisions and budget planning. The ideal structure will also speed up the decision-making process by putting more direct power in the hands of those who run the Airport System and understand its unique challenges and opportunities.

A majority of Supervisors recommended the Airport System move away from the Public Works Department, as did virtually all business leaders, community leaders, airport tenants, and airport users interviewed for this report. Others focused on the fact that Public Works' mission is about service to the community while the Airport System mission is about economic development and business development. Some believe autonomy will help get things done more quickly at the airports, as the airports will not be leaning on Public Works to make decisions or process requests as often.

CHART 26: RECOMMENDED AIRPORT SYSTEM GOVERNANCE
SOURCE: VOLAIRE AVIATION CONSULTING

This report recommends creating a new Airports Department within Humboldt County (refer to chart 26). While this recommendation creates the County's 13th appointed department, and it will create more work for County administrative staff and the Board of Supervisors, it is also true the current structure

results in slow response times, a sub-division fighting against critical County infrastructure needs for attention to problems, and a lack of business focus.

Specifically, the new department should help remedy a number of current challenges:

1) Make the Airport System a higher priority for County government by elevating its status;

2) Improve response time for items that can be processed by the department instead of going through Public Works;

3) Empower on-field decision-making;

4) Provide a clear chain of command for both employees and stakeholders;

5) Ensure the Airport System operates with a business-minded focus and with a strategic plan;

6) Reduce spend on extra staffing from Public Works;

7) Ensure airports are adequately maintained and safety checks are more frequent;

8) Better maintain the airline terminal with on-field oversight.

With the creation of the new Department, this report recommends two other structural changes. First, the Airports Department must have an Airports Director (refer to chart 26 on previous page). It is unacceptable that so many airport stakeholders reported they do not know who to contact when there is a problem. Moreover, the lack of strategic vision has been clear to most interviewed for this report. More detail on this recommendation can be found in the "goal two" section of this report.

This report also recommends the County change the structure of the Aviation Advisory Committee. A pilot committee does little to forward the enterprise mission of the Airport System. The new structure, detailed in "goal four" of this report, will better connect the Airport System to the region's leaders and provide better business insight to new airports leadership.

This transition can be made with limited additional costs to the County or the Airport System. The Airports can be split into their own department by County resolution, avoiding the cost of a county-wide election or the cost of working legislation through State government. A resolution can be drawn up by the County's legal department for quick passage, even in the case where the County feels it should have a public comment session on this plan.

"THIS TRANSITION CAN BE MADE WITH LIMITED ADDITIONAL COSTS TO THE COUNTY OR THE AIRPORT SYSTEM."

An airport authority or an airport district running the County Airport System could also be a solution to many of the challenges, but it is not believed to be the ideal governance structure in this case. While both structures would give stakeholders of the Airport System a direct line of communication to airport leadership, it has not been proven through the research in this report that communication is any more effective than communication with an airports director.

Both airport authorities and airport districts in California have been shown in this report to add management cost to the airports they oversee. The Humboldt County Airport System is struggling with budget shortfalls. These shortfalls would be made worse with the added cost of operating under an authority or district – and it does not appear the advantages of those types of government would outweigh the cost.

GOAL TWO:
HIRE A PROFESSIONAL AIRPORTS DIRECTOR

Every person interviewed for this report agreed the Airport System must finally hire a full-time, professional airports manager to oversee the division. Regardless of governance structure, the System must have a manager. It is remarkable the Airport System has been able to function for four years without direct management, speaking to the quality of the leadership at Public Works and the employees of the System in ensuring the System could continue to function.

Those interviewed for this report want to see more authority directly on the field so decisions do not have to be made at the County level. Some reported current system leadership is weak as Public Works should not be asked to lead an enterprise fund. Many would like to see a strong aviation division director with significant experience. Even Public Works leadership agreed the System needs a professional manager with a lot of experience.

"REGARDLESS OF GOVERNANCE STRUCTURE, THE SYSTEM MUST HAVE A MANAGER."

In the experience of the authors of this report, a strong, experienced manager will not be attracted to a job where he or she is reporting to another department head. The best airport leaders in the country want to lead their own airports with a structure allowing them to directly report to the leadership of a governmental body – in this case the Board of Supervisors. Taking pay out of the equation, Humboldt County is much more likely to land an experienced and dedicated airport director if the Airport System is positioned to report directly to the Supervisors rather than the Public Works Director.

The reason the County has cited for not filling the airports manager position for the last four years is to reduce the airports cost to balance the budget. At the same time, the Airport System paid Public Works more than $50,000 in extra costs for administrative services. Savings in this area could fund at least a portion of the extra cost of hiring a strong manager. A salary will be recommended in the future strategic business plan for the Airport System.

GOAL THREE:
RE-EVALUATE STAFFING LEVELS

The Humboldt County Airport System is understaffed. Just 12 employees oversee, manage, and maintain six airports separated by as much as 82 miles. The sheer volume of work is too much for the current staff, and even the addition of an airports director will not relieve the pressure felt by the amount of work to be done. Airports are not adequately maintained, and tenants have taken on too much of a burden for maintenance.

The County must re-evaluate how the Airport System is staffed, and eventually work to start filling some of the seven positions that have been left open due to budget concerns. In fiscal year 2016, the Airport System paid Public Works almost $21,000 for extra maintenance staff time and almost $28,000 for extra time for property management.

> "THE COUNTY MUST RE-EVALUATE HOW THE AIRPORT SYSTEM IS STAFFED, AND EVENTUALLY WORK TO START FILLING SOME OF THE SEVEN POSITIONS THAT HAVE BEEN LEFT OPEN..."

The goal of governance change recommended in this report and the hiring of an airports director, is to place more emphasis on strategic business planning and revenue growth. Once a strategic business plan is in place and revenue growth can be documented, it is recommended new revenue first go to hiring staff.

It is also recommended Airport System staffing be re-structured (refer to chart 27 on next page). It is suggested System full staffing be reduced from the current 19 positions (again with seven frozen) to 17 positions, eliminating a custodial position (currently unfilled) and a groundskeeper position (currently unfilled). The reduction in staff size will not cause any employee to lose a job. In fact, it would represent a net increase in five jobs over the positions currently filled.

The new staffing structure should include specific responsibilities for a staff member in charge of air service, marketing, and business development (refer to chart 27). This would put the System's focus squarely on business development and planning.

CHART 27: RECOMMENDED AIRPORT SYSTEM STAFFING PLAN
SOURCE: VOLAIRE AVIATION CONSULTING
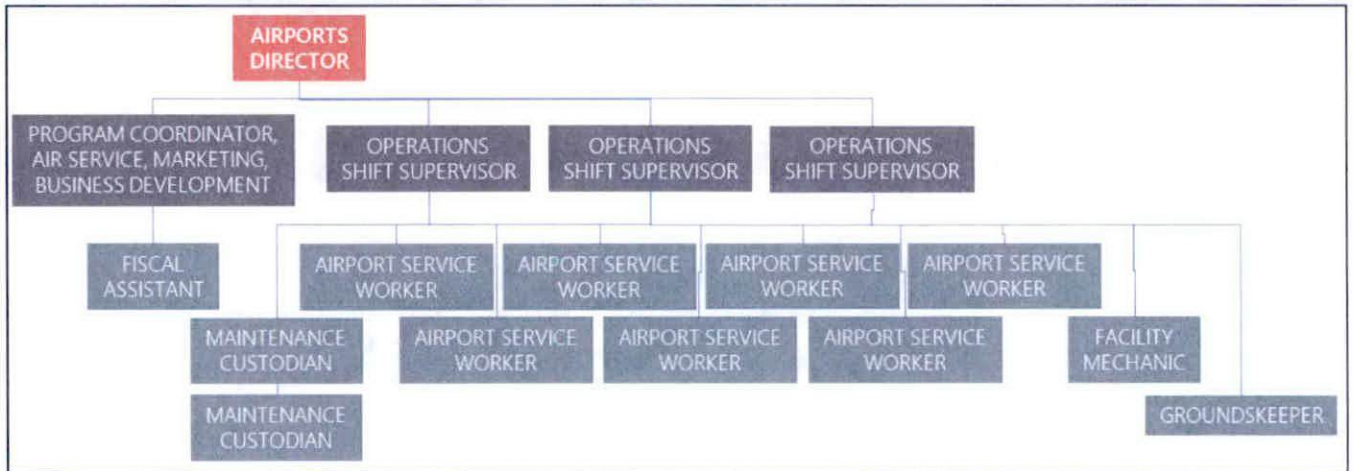
It is also recommended all seven airport service worker positions be filled (refer to chart 27). This will ensure airport safety checks can be done more frequently. It will allow the Airport System to bring the majority of tasks that are currently farmed out to Public Works back in-house, including vehicle maintenance.

The staffing structure can be changed at the same time governance changes are enacted. But the positions marked for new hires (outside of the airports director) do not have to be filled until the point at which the County is comfortable that the System's budget is improving. But the airports will face challenges with maintenance until the System is fully staffed.

GOAL FOUR:
RE-STRUCTURE THE AVIATION ADVISORY COMMITTEE

Even members of the current Aviation Advisory Committee believe it should be re-structured to better match a new Airport System mission to run like a business and help to develop the regional economy. Most interviewed for this report said the Committee should be made up of business and community leaders.

As noted in this report, other California airports with advisory committees use those committees to bring in a wide range of regional perspectives to airport planning. Humboldt County is currently unique in that it places an operational focus on the committee, rather than a business focus. It is recommended the County transition the focus away from pilots and their perspectives on the airports to regional leadership and a focus on leveraging the airports for economic growth.

"MOST INTERVIEWED FOR THIS REPORT SAID THE COMMITTEE SHOULD BE MADE UP OF BUSINESS AND COMMUNITY LEADERS."

It is recommended the Aviation Advisory Committee be re-structured to include seven members, down from the current nine. The current Committee has trouble obtaining a quorum for meetings, which indicates it has too many members. It is also recommended that, instead of all members being appointed by the Board of Supervisors, certain positions be attached to positions within other community organizations.

The new Committee should include the following permanent positions appointed by the Board of Supervisors:

1) Humboldt County Convention & Visitors Bureau Executive Director

2) Economic development representative from one of the region's agencies and/or cities

3) Chamber of commerce representative from one of the region's agencies and/or cities

The new Committee should also include the following positions appointed by the County's Board of Supervisors, based on the requirements of each position. Each of these appointees shall be nominated to the Supervisors by the Airport System:

1) Airline Representative: A locally-based representative of a scheduled passenger or cargo airline serving one of the County's airports;

2) Aviation Tenant Representative: A tenant at one of the County's airports;

3) Local Business Representative: A leader at a local firm with an interest in the airports;

4) Financial Representative: A leader at a bank, investment firm, or accounting firm.

The bylaws of the new Committee should specify that no more than three of the seven members of the Committee shall be pilots, whether they have aircraft based at airports within the County or not. This will reduce the chance of a conflict of interest.

The authors of the report did consider the outright elimination of the Aviation Advisory Committee, removing a layer of governance and potentially enhancing the on-field decision-making of a professional airports director. However, current federal grant assurances require participation with users and affected parties; this is how the county ensures this. Moreover, there is an opportunity to use the re-structured committee to better connect the Airport System to the region and the people the airports are meant to serve.

GOAL FIVE:
BETTER TENANT COMMUNICATION

It was clear in interviews tenants want better communication with Airport System leadership. Virtually all have trouble understanding the chain of command under Public Works, and few know exactly who they are supposed to contact when they have something to report.

To provide a clear line of communication between Airport System management and tenants at all airports, the report recommends mandated tenant communication through different forums based on the airport and the tenant. Specifically, the airports director should meet quarterly, in a group setting, with tenants at the following airports:

1) Arcata-Eureka Airport

2) Murray Field

3) Garberville Airport

4) Rohnerville Airport

These meetings should take place at each airfield so that tenants do not have to travel to Arcata-Eureka Airport to be heard. There are few tenants at Kneeland and Dinsmore airports and they should be welcome to attend meetings at any of the other airports. The goal of these meetings will be to address any operational issues, to ensure maintenance is being performed, and to ensure tenants have a direct line of communication to the Airport System.

It is recommended the airports director meet monthly, one-on-one, with the station managers for scheduled airlines – both cargo and passenger. These meetings should be regularly scheduled and held at the airports director office at Arcata-Eureka Airport (ACV). The goal of these meetings will be to ensure nothing gets overlooked in airline terminals and that slow-moving repairs of the past do not become the norm.

Finally, it is recommended that the airports director meet monthly with the County Administrator and each member of the Board of Supervisors. These meetings should be scheduled on the same date in each month to ensure they are kept on the calendar and regarded with adequate importance.

Governance Type of California Airports with Commercial Air Service
Source: Volaire Aviation Consulting, June 2017

Code	Airport Name	Location	County	Non-Stop Cities	Airlines	Daily Departures	O&D Passengers	Governance Type	Governance Detail
ACV	Arcata/Eureka Airport	McKinleyville	Humboldt	2	1	6.3	145,103	County Sub-Department	A Division of the County Department of Public Works
BFL	Meadows Field	Bakersfield	Kern	3	2	8.7	195,703	County Department	Own department within the County; Strong executive design; Airport Director reports directly to the County's Board of Supervisors
BUR	Bob Hope Airport	Burbank	Los Angeles	13	6	70.7	4,370,899	Authority	Independently operated by TBI Airport Management; Authority is made up of three cities with oversight: Burbank, Glendale, and Pasadena
CEC	Del Norte County Airport	Crescent City	Del Norte	1	1	2.0	17,056	Authority	Authority is an independent, autonomous body, operating under a Joint Powers Authority (JPA) with Directors from Del Norte County, Crescent City, Elk Valley Racheria, and the City of Brookings, Oregon.
FAT	Fresno Yosemite International Airport	Fresno	Fresno	11	7	32.6	1,813,250	City Department	Own department within the City; Airport Director reports to City Manager
IPL	Imperial County Airport	Imperial	Imperial	1	1	4.8	18,675	County Department	Own department within the County; Strong executive design; Airport Director reports directly to the County's Board of Supervisors
IYK	Inyokern Airport	Inyokern	Kern	1	1	1.1	12,120	Airport District	Airport Director reports to an independently elected group of Commissioners, not affiliated with any nearby cities or counties.
LAX	Los Angeles International Airport	Los Angeles	Los Angeles	186	57	855.2	75,798,790	City Department	Los Angeles World Airports is the Los Angeles city department that owns and operates a system of three airports: Los Angeles International (LAX), LA/Ontario International (ONT) and Van Nuys (VNY); Department has its own independent board of commissioners.
LGB	Long Beach Airport at Daugherty Field	Long Beach	Los Angeles	16	4	40.8	3,079,126	City Department	Own department within the City; Airport Director reports to City Manager
MCE	Merced Regional Airport (MacReady Field)	Merced	Merced	2	1	4.3	18,300	Authority	Authority is an independent, autonomous body, operating independent of City owners.
MMH	Mammoth Yosemite Airport	Mammoth Lakes	Mono	3	2	1.3	42,185	City Department	Own department within the City; Airport Director reports to Airport Commission, which reports to the City Council and the Mayor.
MRY	Monterey Peninsula Airport	Monterey	Monterey	5	4	12.4	391,468	Airport District	Airport Director reports to an independently elected group of Commissioners, who come from the municipalities surrounding the airport based on ward.
OAK	Metropolitan Oakland International Airport	Oakland	Alameda	45	13	172.8	12,221,188	Port Authority	Independent Port commission with seven members nominated by the Mayor of Oakland and appointed by the Council for four-year terms.
ONT	Ontario International Airport	Ontario	San Barnardino	14	7	89.4	4,321,806	City Department	Los Angeles World Airports is the Los Angeles city department that owns and operates a system of three airports: Los Angeles International (LAX), LA/Ontario International (ONT) and Van Nuys (VNY); Department has its own independent board of commissioners.
PSP	Palm Springs International Airport	Palm Springs	Riverside	18	10	31.1	1,876,906	City Department	Own department within the City; Airport Director reports to City Manager
RDD	Redding Municipal Airport	Redding	Shasta	2	2	6.0	90,419	City Sub-Department	A Division of the City Department of Support Services; Airport Director reports to the Director of Support Services, who reports to the Mayor and City Council
SAN	San Diego International Airport	San Diego	San Diego	65	18	241.8	20,853,512	Authority	Formed into independent authority in 2003 with a Bill in the CA Legislature.
SBA	Santa Barbara Municipal Airport	Santa Barbara	Santa Barbara	7	3	21.5	666,314	City Department	The Airport Commission is an advisory body to the Santa Barbara City Council, which is the official governing body for the Airport.
SBP	San Luis Obispo County Regional Airport	San Luis Obispo	San Luis Obispo	5	3	12.1	326,965	County Department	Airport division is its own County department.
SCK	Stockton Metropolitan Airport	Stockton	San Joaquin	3	1	4.4	187,241	County Department	The Airport Commission is an advisory body to the Board of Supervisors, which is the official governing body for the Airport.
SFO	San Francisco International Airport	San Francisco	San Francisco	148	50	551.1	49,506,698	City/County Department	An independent department of the City and County of San Francisco
SJC	Mineta San Jose International Airport	San Jose	Santa Clara	41	15	145.2	10,943,086	City Department	The Airport Commission is an advisory body to the San Jose City Council, which is the official governing body for the Airport.
SMF	Sacramento International Airport	Sacramento	Sacramento	33	9	135.5	10,147,339	County Department	Own department within the County; Strong executive design; Airport Director reports directly to the County's Board of Supervisors
SMX	Santa Maria Public Airport	Santa Maria	Santa Barbara	2	2	4.9	72,730	Airport District	Airport Director reports to an independently elected group of Commissioners, who come from the municipalities surrounding the airport.
SNA	John Wayne Airport - Orange County	Santa Ana	Orange	23	7	124.2	10,365,964	County Department	Own department within the County
STS	Charles Schulz Sonoma County Airport	Santa Rosa	Sonoma	8	5	7.7	355,491	County Sub-Department	Airport is a division of the County's Public Works Department; Airport Commission advises County's Board of Supervisors on Airport related matters.

Passenger data as of the year ended March 2017. US Department of Transportation O&D Database.

APPENDIX TWO:
BORDER COAST AUTHORITY

BORDER COAST REGIONAL AIRPORT AUTHORITY

SECOND AMENDED
JOINT POWERS AGREEMENT

THIS AGREEMENT is made and entered into this ___ day of _____, 2010, by and between the County of Del Norte, a legal subdivision of the State of California, hereinafter referred to as "County", the City of Crescent City, a municipal corporation existing under the laws of the State of California, the Elk Valley Rancheria, a federally recognized Tribe, the City of Brookings, a municipal corporation existing under the laws of the State of Oregon, the County of Curry, a political subdivision of the State of Oregon, and the City of Gold Beach, a municipal corporation existing under the laws of the State of Oregon, collectively referred to as "Participants", who agree as follows:

RECITALS

This Second Amended Joint Powers Agreement amends and restates that certain Joint Powers Agreement of the Border Coast Regional Airport Authority dated October 4, 2007, and the First Amended Joint Powers Agreement dated August 7, 2008, under which the Participants other than the City of Gold Beach and the County of Curry have operated the Authority to date.

Del Norte County owns Del Norte County Regional Airport, Jack McNamara Field, a commercial airport located in Del Norte County which serves passengers from both California and Oregon (the "airport"). Recognizing the bi-state regional significance of the airport, the Del Norte County Board of Supervisors has decided to enter into this Border Coast Regional Airport Authority (the "Authority") in order to permit other governments to share in operational decision-making for the airport. In addition to the City of Crescent City, the Elk Valley Rancheria, the City of Brookings, the County of

Curry, and the City of Gold Beach, these governments may include other local government agencies in the State of Oregon as well as sovereign tribal governments. The parties to this agreement believe that by working together in the framework of this Authority, the role of the airport in accommodating current and future air travelers, facilitating the economic development of the border coast region, and maintaining and operating the airport as an essential component of the region's emergency response network, will be protected and enhanced.

By entering into this agreement, Del Norte County does not intend to transfer ownership of the land and facilities that make up the airport. Nor does entry into this agreement by entities other than Del Norte County imply a commitment on their part to provide funding for the capital improvement or operation of the airport. However, these and other issues may become the subjects of ongoing conversation among the Authority's Participants.

This agreement is entered into pursuant to the provisions of California Government Code, Sections 6500 and following, hereinafter referred to as the "California JPA Law," and Oregon Revised Statutes, Section 190.420, hereinafter referred to as the "Oregon JPA Law," for the purpose of creating an agency to provide for the planning, operation, marketing, and maintenance, directly or indirectly, of the commercial airport located in Del Norte County and known as Del Norte County Regional Airport, Jack McNamara Field.

It is the intent of the Participants in the Border Coast Regional Airport Authority that the membership in the Authority will be open to all those public agencies in the States of California and Oregon that elect to join the Authority, and meet the following criteria: (a) the territory of the public agency is substantially located in Del Norte County, California, or Curry County, Oregon; (b) the public agency has the power under the California JPA Law or Oregon JPA Law, to join the Authority; and (3) the public agency has the power to operate an airport. Participation in the Authority will remain open to those entities that may decide to join after the Authority is formed and operational.

ARTICLE I
CREATION AND OPERATION OF THE AUTHORITY

SECTION 1.1 <u>CREATION OF AUTHORITY:</u> Pursuant to the California and Oregon JPA Laws, there is hereby created a public entity to be known as the "BORDER COAST REGIONAL AIRPORT AUTHORITY", referred to herein as the "Authority". The Authority is a public entity separate and apart from the parties hereto.

SECTION 1.2 <u>PARTICIPANTS:</u> The Participants in the Authority are Del Norte County, the City of Crescent City, the Elk Valley Rancheria, the City of Brookings, Curry County, and the City of Gold Beach.

SECTION 1.3 <u>GOVERNING BOARD; INITIAL BOARD; APPOINTMENTS:</u> The Authority is administered by a governing board, which is called the "Board of Commissioners of the Border Coast Regional Airport Authority," and which is referred to herein as the "Board." The Board of the Authority initially consisted of five members appointed as follows: The Del Norte County Board of Supervisors appointed three members, two of whom were Supervisors of that County, and two of whom were designated to serve four-year terms and one of whom was designated to serve a two-year term; the first two additional Participants were Crescent City and the Elk Valley Rancheria, which appointed one member each, with each of those members serving a term congruent with the term of the two-year appointee of the Del Norte County Board of Supervisors. Upon approval of the First Amended Joint Powers Agreement and becoming a Participant, the City of Brookings appointed one member to the governing board, with that member serving a term congruent with the four-year appointees of the Del Norte County Board of Supervisors.

SECTION 1.4 <u>GOVERNING BOARD; PERMANENT CONSTITUTION:</u> The number of members of the permanent Board shall be between seven and eleven. Appointments shall be made by resolution of the governing body of the Participant. Following the terms of the initial Board, the terms of all Board members shall be four years. However, each Board member shall serve at the pleasure of the appointing authority for that position and may be removed and replaced according to the rules of the governing body

of that Participant. If a Board member's term expires before that member's reappointment or the appointment of a successor, the incumbent may continue to serve until he or she is reappointed or a successor is appointed.

SECTION 1.4.1   GOVERNING BOARD; CURRY COUNTY AND GOLD BEACH: Upon approval of this Second Amended Joint Powers Agreement, as amended to include Curry County and the City of Gold Beach, these entities have been recognized as Participants and may each appoint one member to the Governing Board, with those members serving terms congruent with the terms of the four-year appointees of the Del Norte County Board of Supervisors.

SECTION 1.5 ALTERNATE MEMBERS: The governing body of each Participant may by resolution appoint an alternate to serve in the absence of any member of the Governing Board appointed by that Participant.

SECTION 1.6 COMPENSATION: Members of the Board of Commissioners will receive no compensation. However, they may be reimbursed for the actual expenses incurred while performing the duties and activities of the Board.

SECTION 1.7 REGULAR MEETINGS: The Board of Commissioners will provide for its regular and special meetings; provided, at least one regular meeting must be held each calendar quarter.

SECTION 1.8 RALPH M. BROWN ACT: All meetings of the Board of Commissioners of the Authority, without limitation, regular, adjourned, regular, and special meetings, must be called, noticed, held and conducted in accordance with the provisions of the Ralph M. Brown Act, California Government Code, Sections 54950 and following.

SECTION 1.9 OREGON PUBLIC MEETINGS LAW: All meetings of the Board of Commissioners of the Authority, without limitation, regular, adjourned regular, and special meetings, must be called, noticed, held and conducted in accordance with the provisions of the Oregon Public Meetings

Law, Oregon Revised Statutes, Sections 192.610 through 192.690.

SECTION 1.10 <u>PUBLIC MEETINGS; BROAD INTERPERTATION:</u> In any instances of conflict between the Ralph M. Brown Act and the Oregon Public Meetings Law, the Authority must comply with those notice and meeting conduct provisions of law which will provide the highest level of public participation, observation, and knowledge of the Authority's affairs.

SECTION 1.11 <u>MINUTES:</u> The Board must provide for taking, approving, and preserving minutes of the meetings of the Board.

SECTION 1.12 <u>QUORUM:</u> The attendance of a majority of the Board is required for the transaction of business at meetings of the Board.

SECTION 1.13 <u>RULES:</u> The Board of the Authority may adopt and amend rules and regulations for the conduct of its meetings and affairs.

SECTION 1.14 <u>MANNER OF EXERCISING POWERS:</u> The manner of exercising the powers of the Authority is subject to the same restrictions on the exercise of like powers that apply to the County of Del Norte. In all respects, including Public Contracting procedure, employment practices and ethics/conflicts of interest, the Authority will be mindful of the cross-border nature of the Authority and must conduct its affairs to comply with applicable State Laws.

SECTION 1.15 <u>FISCAL YEAR:</u> The fiscal year of the Authority is from July 1 through June 30.

SECTION 1.16 <u>TERM OF AGREEMENT:</u> This agreement will continue indefinitely, except that this agreement may be terminated sooner if withdrawal is elected pursuant to Section 1.17 of this agreement by either the County of Del Norte or by all Participants other than the County of Del Norte.

SECTION 1.17 <u>WITHDRAWAL:</u> Any Participant may withdraw from this agreement by giving sixty (60) days written notice to the Authority and to all

other Participants. The withdrawing entity will not be entitled to the return of any assets or contributions that the Participant made to the Authority.

ARTICLE   II
OFFICERS

SECTION 2.1 <u>CHAIR, VICE-CHAIR, AND AIRPORT DIRECTOR:</u> The Board of Commissioners must elect a Chair and a Vice Chair from among its members. It may appoint an Executive Director or an Airport Director, who must not be a member of the Board of Commissioners.

SECTION 2.2 <u>TREASURER:</u> The Treasurer of Del Norte County is hereby designated as the Treasurer of the Authority and as the depositary to have custody of all the money of the Authority from any source. The Treasurer, and the officer performing the functions of Auditor or Controller, who must be the Auditor-Controller of Del Norte County, will have the duties and obligations set forth in Section 6505 and 6505.5 of the California JPA Law and will assure that there will be a strict accounting of all funds and accurate reports of all receipts and disbursements of the Authority. The Treasurer and the Auditor-Controller must provide any Oregon entities participating in the Authority those financial reports as are necessary and convenient to those entities.

SECTION 2.3 <u>BONDING OF PERSONS HAVING ACCESS TO PROPERTY:</u> From time to time, the Board of Commissioners may designate public officers or persons, in addition to the Treasurer and the Auditor-Controller, having charge of handling or having access to any property of the Authority, and the Board must determine the amount of their official bond, pursuant to Section 6505.1 of the California JPA Law.

ARTICLE III

POWERS AND DUTIES

SECTION 3.1 <u>POWERS</u>: Border Coast Regional Airport Authority has each of the following powers:

a. To make and enter into contracts and to receive and expend funds, providing for aviation and airport-related services to the public;

b. To supervise and oversee the performance of aviation and airport-related service contracts;

c. To provide all services necessary to operate the Airport;

d. To acquire, construct, manage, maintain or operate any facilities or improvements;

e. To acquire, hold and dispose of property;

f. To incur debts, liabilities or obligations, which do not constitute a debt, liability or obligation of the member entities;

g. To employ personnel;

h. To sue and be sued in its own name;

i. To invest in accordance with the provisions of Section 6509.5 of the California JPA Law, money in the treasury of the Authority that is not required for immediate necessities of the Authority;

j. To apply for, accept, and utilize funds from any source for public Airport purposes, including funds available through the Federal Aviation Administration;

k. To raise revenues, including the establishment of lease rates, parking fees, passenger facility fees, and other revenue and tax rates as authorized by law, to support aviation and airport-related services;

l. To incur short-term indebtedness;

m. To petition the federal and state governments;

n. To receive contributions from Participants and to provide for their repayment on those terms as the Authority finds advisable;

o. All other powers that are necessary and proper for the Authority to have in order to provide aviation and airport-related services.

SECTION 3.2 <u>DUTIES</u>: Border Coast Regional Airport Authority has the following specific duties:

a. On or before May 1st of each year, it must cause to be prepared and submitted to the Board and each of the Participants a proposed budget for the upcoming fiscal year. The proposed budget will be subject to approval and ratification as set forth in Section 4.3.

b. The Authority will oversee and maintain an ongoing Airport Capital Improvement Plan (ACIP) to address the future needs of the airport, including the maintenance and periodic updating of the Airport Master Plan and an Airport Layout Plan, anticipating the needs of the public for commercial air service.

c. The Authority will actively pursue funding, and the development of sources of funding, for the implementation of its plans for aviation improvement and airport development.

d. The Authority will prepare and submit to the member entities quarterly progress reports concerning the provision of aviation services and the plans for development and financing of improvements to those services.

SECTION 3.3 <u>OBLIGATIONS AND AUTHORITY</u>: (a) To the extent permitted by the laws of the home state of each Participant, the debts, liabilities, and obligations of the Authority will not be the debts, liabilities and obligations of any of the member entities.

(b) To further ensure that the debts, liabilities, and obligations of the Authority will not be the debts, liabilities, and obligation of any of the member

entities, the Authority will negotiate for the inclusion of a clause having the same force and effect as the following in each contract entered into by the Authority:

> No Recourse Against Authority Participants. Notwithstanding any provision in the laws of California or the State of Oregon, [Contractor] agrees that any debts, liabilities or obligations of the Authority as set forth in this [contractual agreement] will not be the debts, liabilities or obligations of the members of or participants in the Authority.

(c) If the Authority must, in the judgment of the Board, enter into a contract that does not include the clause set forth in (b), above, no debt, liability or obligation that is not budgeted in the then-current-year's budget of the Authority may be undertaken or entered into by the Authority unless and until the governing body of each Participant has been provided the opportunity to approve or reject the proposed debt, liability or obligation. Notwithstanding any other provision of this agreement, the rejection of a proposed debt, liability or obligation of the Authority by the governing body of a Participant will effect the immediate withdrawal of the Participant from the Authority and this withdrawal will be deemed to be effective prior to the incurring of the debt, liability or obligation by the Authority.

SECTION 3.4 TORT LIABILITIES AND INSURANCE: The Authority must procure and maintain aviation-operations (including premises liability) insurance with policy limits of not less than $45 million. This insurance must name each Participant as an additional named insured. Additional policies of liability and property insurance with commercially reasonable policy limits must be maintained by the Authority consistent with the best practices of airport management, as well as Worker's Compensation Insurance that complies with the laws of the State of California.

SECTION 3.5 AUTHORITY SHALL INDEMNIFY AND DEFEND PARTICIPANTS: The Authority must defend, indemnify, and hold harmless the Participants, and their officers, employees, and agents from and against any and all causes of action, claims, liabilities, obligations, judgments or damages,

including reasonable attorneys' fees and costs of litigation ("claims"), arising out of the Authority's performance of its obligations or the exercise of Authority's powers under this Agreement or out of the operations conducted by the Authority, including any Participants' active or passive negligence, except for the loss or damage arising from the sole negligence or willful misconduct of the Participant. In the event a Participant indemnitee is made a party to any action, lawsuit, or other adversarial proceeding arising from Authority's performance of this Agreement or its operations hereunder, the Authority must provide a defense to the Participant(s) or at Authority's option reimburse the Participant(s) their costs of defense, including reasonable attorney's fees, incurred in the defense of these claims.   Each Participant entitled to indemnity hereunder agrees to cooperate reasonably in the conduct of its defense and the defense of the Authority.

ARTICLE IV
FUNDING

SECTION 4.1 <u>CONTRIBUTIONS NOT REQUIRED:</u> Except as provided in section 4.2, no Participant is or will be required to make contributions to the Authority, except as that Participant may in its sole discretion agree. No Participant is subject to assessment.

SECTION 4.2 <u>ADMINISTRATIVE AND OPERATING COSTS:</u> For the duration of this Agreement, the County of Del Norte is required to provide annual funding to the Authority at the level of the County's budgeted commitment to support the airport for the fiscal year 2006-2007, subject to reduction only by the consent of the Authority.

SECTION 4.3 <u>APPROVAL OF BUDGET:</u> The Board may tentatively adopt the annual budget of the Authority; however, the budget will have no force and effect until it is approved or ratified by each Participant that is contributing funds to the Authority pursuant to or in support of that budget.

ARTICLE V

DISPOSITION OF ASSETS UPON TERMINATION

SECTION 5.1 <u>NO SUCCESSOR ENTITY:</u> Upon termination of the Border Coast Regional Airport Authority, without a successor entity, pursuant to paragraph 1.17 or otherwise, and subject to the terms of any repayment agreements entered into pursuant to paragraph 3.1, subparagraph n, the Board must convey or quitclaim all assets and property of the Authority to the County of Del Norte.

IN WITNESS WHEREOF, the parties hereto have caused this agreement to be executed and attested by their proper officers, who are duly authorized, as of the day and year first above written.

ATTEST:

_____   _____
Larry Anderson, Mayor
City of Brookings   _____

_____   _____
Kelly Schellong, Mayor   Gerry Hemmingsen, Chair
City of Crescent City   Board of Supervisors

ATTEST: ATTEST:

_____   _____
Rod Butler, Clerk   Jeremi Ruiz, Clerk
City of Crescent City   Board of Supervisors

APPROVED AS TO FORM:

Robert Black, City Attorney
City of Crescent City

Dohn Henion, County Counsel
County of Del Norte

Dale A. Miller, Tribal Chairman
Elk Valley Rancheria

Kim Krokodilos, Tribal Secretary
Elk Valley Rancheria

, Mayor
City of Gold Beach

Shirley Walker, Recorder
City of Gold Beach

VOLAIRE AVIATION, INC.

WESTERN OFFICE
10360 NW ENGLEMAN STREET
PORTLAND, OREGON 97229

503.515.3972
VOLAIREAVIATION.COM