

OGDEN AIRPORT (OGD) BUSINESS PLAN

2019 TO 2030

Outline:

Synopsis, including a brief history of the Airport / City past practices and the results in today's market & political environment. Describing the problem and the methodology & approach to the problem.

INTRODUCTION & PURPOSE

Ogden City Corporation history

Ogden Airport - History

First FAA-AIP grant in August 1982

The current financial plan is simply not sustainable. Losses from operations and losses (cash flow) on all capital projects, specifically the 9.63% local match for multi-million dollar FAA-AIP grants.

At current rates (\$0.40 improved land / \$0.25 unimproved land) Effective January 1, 2021.

Approximately, 2,400,000 square feet available on the airport's west side

Due to lease methodology, most are just leasing the land directly beneath their hangar

The Airport is leasing approximately 1.1 acres for every 5 acres (22%); however the Airport is responsible for the maintenance and replacement of pavements on the other 88%. Old taxilane pavement in the redevelopment areas is difficult to deal with. Pavement has been neglected for long enough that it cannot be made stable with any low-cost method. Using more expensive methods would be wasteful due to the short life of the hangars in these areas.

Leasing all land on the west side and using the current pricing methodology, nets approximately \$150,000

This is inadequate to cover the annual deficit, which is \$1.1 million in expenses weighed against \$650,000 in annual revenue.

Existing major current problems:

1. Annual financial loss from Airport Operations, not just from operations, but the additional cashflow requirements of utilizing FAA-AIP funds for capital improvements (roughly 10% of project expenses).
2. Replacement – Refurbishment of Worn & Aged Infrastructure
 - a. Pavement – Airside
 - i. Runways
 - ii. Taxiways
 - iii. Aprons
 - iv. Taxilanes – policy to address non-AIP funded aprons
The taxilane is the equivalent of the City street. The 50 feet in front of the hangar is the equivalent of a home's driveway
 - v. Perimeter Road
 - vi. Vehicle Parking areas
 - b. Pavement – Landside
 - i. Airport Road
 - ii. Terminal Road Loop
 - iii. Gate #1 cul-de-sac. Western Group / Durbanon non-aeronautical
 - iv. West side access road - 4000 South
 - v. Pay Parking
 - vi. Vehicle Parking areas associated with individual hangars
 - c. Planning Project to create a full airport (Airside & Landside) pavement management plan (APMS). Already partially funded under FAA-AIP Grant 49-2019.

d. Buildings

i. Terminal Building

1. Airport Administrative Offices
2. Old Air Traffic Control Tower
3. Restaurant
4. Airline Ticketing
5. Car rental
6. Restrooms
7. Courtyard
8. Basement Classrooms
9. Electrical Vault
10. Baggage Claim – exterior, under awning

ii. Current Air Traffic Control Tower, currently FAA owned. Built in 1973.

iii. Maintenance Buildings

1. Maintenance Offices – Repossessed Executive Hangar
2. Urea dry storage – Old late 1940's hangar
3. West side acquired buildings (2) in RPZ for Runway 3

3. Stabilize Airport Revenues

a. Increase fees.

- i. First and immediately, land lease rates targeting the FY 2018-2019 loss of approximately \$350,000.
- ii. Increase to \$0.50 per sq. ft. for improved land over three years. \$0.40 on January 1, 2021, \$0.45 on January 1, 2022, & \$0.50 on January 1, 2023.
- iii. Increase to \$0.35 per sq. ft. for unimproved land over three years. \$0.25 on January 1, 2021, \$0.30 on January 1, 2022, & \$0.35 on January 1, 2023.
- iv. Other, less financially significant fees, are proposed to increase in the Spring of 2021. See section below.

b. Next increase other Airport fees

- i. Landing fees (Policy change to not charge aircraft less than 12,500 lbs. & do not charge based aircraft at OGD) @ \$1.25 per 1,000 lbs. This is increased from \$0.75 per 1,000 lbs.
- ii. Increase Fuel Flowage fee from \$0.07 per gallon to \$0.09 per gallon. Eliminate discount for airlines (currently \$0.055 per gallon).
- iii. New fee of a flat \$750 for the transfer of ownership of a hangar, unless transferred to the ownership of the City.
- iv. Airport Meeting Rooms. \$25 for four hours, \$50 for eight hours.
- v. OGD Airport tie-downs, \$50 monthly, up from \$30-\$35.
- vi. Increase Airport pay parking from \$4 per day to \$5 per day.
- vii. Airport Badges, new or renewal is \$50. Currently \$46 for new badges and \$10 for renewal.
- viii. Set a monthly fee for those tenants that use the airport administrative offices for FedEx, UPS, and Amazon deliveries. \$240 annually.
- ix. Square footage for a long-term (more than daily use) lease inside the terminal building at \$30 per square foot.
- x. I have suggested that all violations of Title 8 be defined as an infraction, unless specifically stated that they are a Class "B" Misdemeanor. This would allow for the Airport to issue violation fines in-house. A class "B" misdemeanor would require a peace officer's assistance and would most likely be an over-reaction to most violations. I would suspect that virtually no violations have been enacted on in OGD's past, simply due to the severity of the penalty.

Once fully implemented, these increases will generate approximately \$400,000 additional annual revenue. This should be very close to a "break-even" point for solely an operations standpoint.

- c. Address leasing policy. There must be a time set when the hangar is too old to be monopolizing City / Airport land. Policy is essential to support the change from existing policy or past norms, actual or perceived.
 - i. Policy need to address the amount of time that the City will allow for all new construction to come after January 1, 2021. This is recommended to be thirty (30) years. There are no renewals because the improvements (buildings, pavement, utilities, etc.) would revert to the City's ownership at that point. Many airports have a provision that the improvement belong to the Airport immediately upon their completion but remain in the control of the leasee for the thirty-year lease.
 - ii. A second policy would address how to deal with the hangars of various ages that already were constructed as of January 1, 2021. Perhaps we would agree to give each existing owner is good standing until their particular hangar is 40 years of age.
- d. The City need the time when the hangar is old enough to revert (30 years) to the City's ownership, but not too old to be able to lease to others without great cost.
 - i. This is a sweet spot between 30-50 years of age. If hangar revert to the City / Airport at 30 or 40 years of age, we can justify capital improvements to the reverted hangars because there is enough useful life left in the asset to make the investment worth the expense. When we acquire hangars that are 50 plus years of age, they are generally worn out and not worthy of investment, just to demolish.
 - ii. Need full list of hangars and their respective ages. This can be done by using Google Earth and older USGS aerial photos.
 - iii. Recognition needs to be given to the cost of demolition and the loss of land lease revenue
- e. Currently, we are attempting to identify all hangars that are approximately 50+ years of age for demolition. It is estimated that this could affect as many as 90 hangars

- f. We are giving all these 50+ year old hangars a five-year lease, but with a provision to require the owner to vacate with 180 days notice. Upon the 180 day notice, the hangar owner would be required to remove the hangar from City / Airport land and to return the land to the City in the condition that it was prior to having a hangar on it, or abandon the leasehold improvements to the ownership of the City.
- g. We need communicate the expected termination time frames to the various owners, based upon the age of their hangar. All current owners should have an expectation as to when this reversion will occur.
- h. Consider City policy reflecting a 30-year lease for new building construction between \$500,000 and \$3 million. More than \$3 million, but less than \$6 million gets 35 years and more than \$6 million get 40 years. No one gets more than 40 years. At the end of each of these time periods, the hangar and all improvements revert to the City's ownership.
- i. From the FAA Airport Compliance handbook, 30-35 year is recommended as being plenty of time for the owner to recoup their investment. The FAA considers 50 years as the absolute longest time allowed, regardless of the investment amount. Anything more than 50 years is considered the fee-simple selling of airport property.
- j. The City / Airport must prepare for owning buildings/hangars that are leased to others. After reversion, maintenance requirements are the City's / Airport's to bear.
- k. Need to address those hangars & owners that recently built. Hendrickson & Dixon, specifically. Also, KBR who has provided a \$10K check to hold their location to build.
- l. Address the costs involved in demolition and the termination of the leases. Hangars needed to be removed before their lawful lease is up, will likely need to be compensated.
 - i. Such compensation would NOT be for the fair market value of the leasehold improvements, rather it would be based upon the cost to lease a comparable hangar facility elsewhere at another airport.
 - ii. This does not mean that we have an obligation to find such a replacement property, simply to identify or calculate the likely cost if such a facility was available. The monthly or annual cost would be applied towards the amount of time left on the lease prior to the Airport terminating the lease.

m. Needing to free up land that has been either leased long ago for the construction of privately-owned hangars, sold outright, or long-term leased back, per existing leases, but not wanting to lose the pilots or the aircraft from the airfield. If the OGD Airport is to become the only FBO on the airport, these hangar owners and pilots are needed as the new FBO's customers.

n. Need to address construction / development standards

- i. Size – square footage of actual hangar
- ii. Additional Office Space
- iii. Restrooms
- iv. Parking, both landside & airside
- v. Streetside Access
- vi. TSA security requirements
- vii. Hangar door types and whether manual or automatic, cantilever, bifold, etc.
- viii. Colors / Hangar types (Quonset huts – no)
- ix. Multiple occupant buildings – prohibit splitting hangars that are under a single roof
- x. Construction type. Poured Concrete, Structural Steel, etc.
- xi. Street appeal
- xii. Fire suppression

o. Revenue position vs. Expense position of the Airport

Seems to be a lack of revenue, not too many expenses

- i. Requirement under FAR 139 & CFR 1542 personnel. Required to attract, hire, and maintain sufficient quantities of qualified personnel for the TSA & FAA requirement. The number of employees needed is dictated by the duties generated by these two federal requirements.
 - ii. Comparison to other similar airports and past financial performance of the Airport Enterprise Fund.
 1. Expenses: Based upon other Airports, OGD has equal or less total employees and operates OGD at a rough cost of \$1.1 million. OGD has six full time employees and three part time employees.
 2. Revenues: An Airport OGD's size, with our mix of airline passengers, based aircraft, and aircraft operations should be generating over \$2 million annually. OGD has never generated more than \$700,000.
4. Clearing area (old hangars & tie-down locations) for seven, ten-unit T-hangar buildings at an approximate cost of \$890,000 per ten T-hangar unit. Clearing this area will be accomplished by non-renewing or terminating the tie down leases. This aids in concurrent projects (2020-2023) where over the coming five years, virtually all the aprons containing the tie-down locations will be rehabilitated or reconstructed using FAA-AIP funds.
- a. How many tie-downs lost
 - b. What locations
 - c. Financial impact
 - d. Political impact
 - e. Additional hangar leases that may need to be bought out or not renewed and then have their hangars removed or demolished
5. Revenue bond for the roughly \$8M to \$9M on new T-Hangar construction using the revenue from the units as collateral. Show the math for a 20 year pay-off and what the hangar rent would have to be. Targeting under \$400 monthly.

6. Ogden City to become the sole fueler and ground handler on the OGD airfield.

a. Current FBO's on the OGD airfield

i. Kemp Jet Center

1. Kemp Jet Center has two agreements that, when the lease terminates, would allow for a non-renewal to remove Kemp as an FBO provider at OGD.
 - a. The Kemp FBO agreement terminates on December 31, 2029
 - b. The "through-the-fence" agreement with Kemp's southmost FBO terminates on August 1, 2026. This agreement is key because without this agreement, Kemp cannot have access to the OGD Airport from their privately-owned land where the south campus exists. It is impossible for Kemp to operate an FBO without this agreement, thus, this agreement is the critical negotiation termination point. Any future buyout of Kemp's interest in the FBO must be based upon the valuation of Kemp's ability to operate the FBO from today to August 1, 2026.

ii. Mountain Valley Aviation

1. The existing Mountain Valley Lease and FBO agreement terminates on December 31, 2033 at the end of a 25-year agreement.
 - a. Consideration should be given to offering to purchase the Mountain Valley leasehold improvements from Kemp
 - b. Recently, Kemp attempted to sell the Mountain Valley facility, but the prospective buyer demanded a 30 year lease on a fairly old facility. Kemp's received a 25-year FBO lease for making a substantial investment into this facility in 2008. There are only 13 years remaining. Kemp may be unhappy enough about the City not allowing the 30-year lease to the prospective buyer to refuse to negotiate with the City for the potential purchase.

- c. I believe that the City / Airport future FBO can easily and successfully compete with Mountain Valley as a FBO until the lease runs out. Notice needs to be given to Kemp concerning our intent to not renew the through-the-fence agreement and the Mountain Valley FBO agreement.

iii. CB Aviation

- 1. In CB's current lease, the original termination date was June 1, 2042, but because CB failed to meet several obligations to which they had agreed to have complete by August 2018, the termination date was reduced to June 1, 2022 (Five years).
- 2. In addition, the current lease has a provision that if the City chooses to become the sole provider of any airport service(s), then CB must vacate that line of business after 90 days notice.

3. A provision within the existing lease states:

If City determines (in accordance with applicable Laws and Regulations) to provide any service on an exclusive basis, or City exercises any right to implement Airport programs as provided in Section 5.D, City may require that Tenant cease engaging in substantially similar activities after ninety (90) days prior written notice.

This allows the Airport to take over fueling, or other FBO services, at OGD without violating the terms of the CB FBO agreement & lease.

7. OGD as the sole FBO provider – FBO needs

a. A base of operations – building

i. Options for a base of operations

1. Purchase and existing location

- a. Mountain Valley existing FBO
- b. CB Aviation existing FBO

2. Create a minimal cost temporary FBO

- a. Double-wide Mobile Office Unit (MOU) / Mobile Home
- b. Utilize many functions from the new MOU and the existing OGD Airport Administrative Office in the OGD Airport Terminal Building.

b. Must have a Fuel Farm – Fuel Tank storage

i. Existing Fuel Farms

- 1. Kemp Jet Center FBO
- 2. Mountain Valley FBO
- 3. CB Aviation FBO

c. While it appears that each of the current FBO's are operating just fine with the current fuel farm facilities, it needs to be understood that a single future FBO will be selling the collective amounts of fuel from the three current FBO's. This is approximately 1.2 Million gallons annually.

The largest single tank currently on the airfield is 12,000 gallons. One entity selling all of the fuel (1,200,000 gallons annually) must have much greater storage capacity.

- d. Additionally, the current joint location for the three fuel farms is a poor choice.
 - i. Fueling facilities should not claim space that is available for active aircraft storage / hangars. OGD's locations are doing just that.
 - ii. Fueling facilities should be accessible by 18 wheeled semi-trucks from the street. This allows for the delivery of the fuel products by trucks that do not have to have an escort on to the airfield and that do not have to drive on taxiways designed for aircraft. Fully loaded (10,000 gallons) fuel semi-trucks are about the most damaging vehicle that can drive on a taxiway. Generally, a well-designed fuel farm uses concrete drives to support the additional weight and tight maneuvering of these heavy trucks.
 - iii. Fueling trucks used for actually pumping the fuel into aircraft are usually 5,000 gallons or less. This is less than half the weight of the delivery to the fuel farm semi-trucks. If the Airport is to become the sole FBO on the airfield, I would recommend that we acquire at least two 3,000 to 5,000 gallon trucks and two 500 to 1,000 gallon trucks.
 - 1. The larger trucks would be used for larger aircraft and airlines. Having two allows for redundancy and for fueling simultaneously both north and south of the central base FBO location.
 - 2. The smaller trucks will be used to easily get into the tighter hangar locations and having two also provides redundancy.
- e. A better location would be south of the Terminal Building, on Airport Road, and just to the east of the City owned Hangar S-755 at Vehicle Access Gate #4.
- f. This construction will involve the demolition of ten hangars. Need the status of each hangars lease, loss of land lease revenue, and the cost of demolition.

i. Build new Fuel Farm

1. Estimated Cost - \$3,000,000
2. Proposed location on Airport Road
3. Capacity & Fuel Types

- a. AvGas – One 50,000 gallon tanks.
- b. Jet “A” – Two 100,000 gallon tanks. One dedicated to airline fuel.
- c. Dyed Government Diesel – 25,000 gallons
- d. Unleaded (MoGAS) – 25,000 gallons

g. Must have fuel trucks

- i. Purchase existing FBO trucks
- ii. Purchase or Lease new trucks

h. Begin with self-serve fuel?

i. Must establish contractual relationship with fuel provider and a secondary / contingent source

- i. Epic
- ii. AvFuel
- iii. Shell
- iv. World Fuel

j. Personnel & Training

8. Finances

- a. Financial trends from the past
- b. Borrowing & Debt Service
- c. Proposed Staffing document
- d. Revenue from current operations
- e. Revenue from pricing increases on existing operations
- f. Revenue from new Fueling and other FBO operations
- g. Existing expenses from operations
- h. New expenses from new Fueling and other FBO operations
- i. Accounting & Invoicing, AR & AP – internal to new business or status quo with City?