

Carroll County Regional Airport Questions and Answers from the Sept. 1 Public Session

- The Commissioners want to see copies of the regulations that would force the airport to be a CIII class airport if a CIII class aircraft were to be based here.

David W. Jones (Delta Airport Consultants) - The regulations are not black and white related to this question, but the FAA has adequate control to affect the Airport Owner's decision making. In accordance with FAA Advisory Circular 150/5300-13, Airport Design, under Chapter 1., Section 1. (the highlighted document that I gave you the other day), the first two paragraphs state the following: "Section 103 of the Federal Aviation Act of 1958 states in part, "In the exercise and performance of his power and duties under this Act, the Secretary of Transportation shall consider the following, among other things, as being in the public interest: (a) The regulation of air commerce in such a manner as to best promote its development and safety and fulfill the requirements of defense; (b) the promotion, encouragement, and development of civil aeronautics....." This public charge, in effect, requires the development and maintenance of a national system of safe, delay-free, and cost-effective airports. The use of standards and recommendations contained in this publication (150/5300-13) in the design of supports this public charge. These standards and recommendations, however, do not limit or regulate the operations of the aircraft." Under Chapter 1, Section 5., Paragraph a. it states: "All airport development carried out at Federally obligated airports must be done in accordance with an FAA-approved Airport Layout Plan (ALP). The FAA-approved ALP, to the extent practical, should conform to the FAA airport design standards existing at the time of its approval. Due to unique site, environmental, or other constraints, the FAA may approve an ALP not fully complying with design standards. Such approval requires an FAA study and finding that the proposed modification is safe for the specific site and conditions. When the FAA upgrades a standard, airport owners should, to the extent practical, include the upgrade in the ALP before starting future development." Under Chapter 1, Section 6 it states: "Modification to standards means any change to FAA design standards other than dimensional standards for runway safety areas. Unique local conditions may require modification to airport design standards for a specific airport. A modification to an airport design standard related to new construction, reconstruction, expansion, or upgrade on an airport which received Federal aid requires FAA approval. The request for modification should show that the modification will provide an acceptable level of safety, economy, durability, and workmanship."

Although this is long and somewhat convoluted, it is basically saying that if you want FAA money for projects, the FAA has the right to approve funding for projects which meet their design standards based on the design aircraft, and not approve funding for projects which do not, and an airport must use their available funds to meet standards before doing other types of development. Although they have the out with the modification to standards, this is strictly limited to deviations which truly have no potential adverse affect on the safety of operations. In my 23 years of experience, modification to standards are only issued for very minor items (developing an airport up to a specific size aircraft within a group because they don't have anything larger operating there -i.e., not for all Group III aircraft), never to allow an airport not to develop to the standards for their design aircraft. Additionally, with the national push on SMS (Safety Management Systems), all modification to standards are required to go through a very

formal review process within FAA to determine that they do not adversely affect safety, and this will have the effect of minimizing the number of modification to standards.

Carroll County will not be able to avoid meeting new standards if a larger aircraft is to base and operate there. This will be considered a safety compromise which will not pass the test. Therefore, the FAA's hammer will be the County will meet current standards if you want their money, or you will do your projects entirely at your own cost. This would include rehabilitating (overlying) the existing runway when it became necessary. Therefore, it is in the County's best interest to take this money and proceed with the planned improvements while it is being offered. Otherwise, the County will be required to redo the Master Plan and EA throwing away the money which has already been spent, and then if a larger aircraft does base and operate there, redo these things again potentially solely at your own cost since they were already completed and paid for with Federal money. However, both documents have shelf lives and will not be able to be used after a few years.

You can look for something more solid than that if you like, but it comes down to whether you want their money or not, and if you do, meeting their requirements, because they have numerous other airports that want their money and are willing to meet their standards, so they will go to those airports first. I hope that this is clear and understandable. This decision significantly affects the future of Carroll County and how much future projects will cost the County. And being that you must remain a public use Airport to remain in compliance with your current grant assurances, you cannot restrict an aircraft from basing or operating at your airport. Even special fees must be deemed fair and reasonable across the users, and the users can appeal potentially unreasonable fees to the FAA for review. If the County elects not to remain in compliance with your grant assurance, the FAA can mandate that the County pays back to the FAA all federal monies that have been received for projects (land projects for eternity, and development for 20 years). This currently will amount to tens of millions of dollars.

- A question was raised whether the National Transportation Board could force the airport to add other services such as a commuter service.

David W. Jones – The National Transportation Board cannot force the airport to add commercial or commuter service. It is implausible that there would be any need or desire for airline or commuter service at Carroll County with BWI so close. Most commuter service airports are no longer able to make it due to the high costs of airfares through those facilities, and although the federal government currently subsidizes many of these operations, they will likely not last much longer as the few enplanements that they are serving don't justify the cost.

- The Commissioners expressed their desire that we explore the possibility and ramifications of selling the airport to a private entity.

David W. Jones – Selling the airport to a private entity would have the same ramification of the County not remaining in compliance with the grant assurances. The grant assurances which you have accepted require that the County maintain the airport as an airport for eternity once you accepted Federal funding for land (which you have) and for 20 years from the completion of any development project. If you do not remain in compliance with these assurances, then the funds which have been used are required to be returned, which amounts to tens of millions of dollars.

- They spoke of trying to identify the market limitation of having a shorter runway. To that end, the question was raised as to what is the maximum cruising range for CII vs. CIII class aircraft taking off from our airport?

David W. Jones – This is another question that is not easily answered. There are numerous aircraft and they all have different capabilities (range, load, performance, etc.). In general, aircraft operating at the airport today and desiring to go to the west coast must make an interim stop, and over-seas requires going to another larger airport (BWI or other larger corporate facility) first. Aircraft are expensive, so companies buy the aircraft that best meets their mission needs. If they want to get to the west coast non-stop for convenience, they will buy that aircraft and locate where it can be used to its full capability, not have to be relocated to another airport first. Therefore, the County will not be able to benefit from the jobs that could be generated and the induced economic benefits that may provide. So the limitation is the County will not compete for companies that have a need to get to the west coast non-stop, over-seas, or any other similar distance destinations. This may not seem like a big deal, but these aircraft buy extensive amounts of fuel and can make an airport be self sufficient. The smaller the aircraft that you are serving, the less likely that you can be self sustaining. They don't buy enough fuel and require the same amount of services.

- Delta clarified for the Commissioners that an Instrument Landing System could be installed at our airport even should it revert to a CII class airport. They were then trying to ascertain the cost of putting in an Instrument Landing System. Joe told them \$2M. Dave said that was just the components but that the total cost would be much higher. We need to have an accurate idea of the cost and whether FAA participation could be expected.

David W. Jones – To get an ILS to Runway 16, the County needs a localizer (horizontal guidance), glide slope (vertical Guidance), and MALSR lighting system (visual guidance). The equipment, installation, and FAA costs alone are likely to be more than \$5 million. There are additional costs including land acquisition and grading operations which cannot be quantified at this time since this option has not been looked at. But suffice it to say that it is likely several more million dollars. If the County is not willing to meet the FAA design standards, then the FAA will not participate in this funding.

- Regarding the total outlay needed to extend the runway, they commented that there's no Return on Investment for the \$74M expected to be spent.

David W. Jones - It is important to realize that the County's share of this project is \$1,850,000, not \$74 million. Although I understand that the Commissioners' feel that even the State and Federal dollars are taxes, albeit airline taxes, they will be collected whether the County accepts the FAA and State money or not, so the taxes will be paid by the tax payers, and the money will go to a desiring airport. Not taking this funding will not lower taxes, as the airport system is a critical component of our national transportation system, which would not be where it is today if not funded by the Federal and State governments. These systems do not generate sufficient money in and of themselves to be totally self-sufficient, hence why there has been an assistance

funding system in place for many years. It's better for this possibly required project to cost the County \$1,850,000 rather than \$74 million.

- Here's a personal thought – If they want to shelve the plan so future Commissioners can make the decision whether to extend the runway, would it be better to at least buy the land and easements now so that nothing in the future can interfere with a decision to proceed?

David W. Jones – The FAA will not allocate funding to proceed with the land purchase unless there is a project that needs it and the County is pursuing it. Therefore, if they decide to scrap the plan, then there would be no need and they would not be pursuing it.

- A comment was made that we don't have enough understanding of the economic halo effect attributable to the runway extension.

Jeff Topper – No guarantee of economic benefit as a result of extending the runway can be made. Both the Martin and Sage Studies anticipate and project economic benefits; comparable airports that have extended their runways to a similar length can point, in some cases, to economic benefits that were gained; and Skytech, the Fixed Base Operator, brought thirty-three jobs when they came to the airport with the expectation that the runway would be extended. Surdex, a current resident business at the airport, is also exploring whether to consolidate their operations here. Should that happen, another forty-five jobs would result. It is not possible, however, to guarantee economic benefits.

- Focusing on the corporate hangars, they questioned whether they are paying for themselves.

Jeff Topper – According to draft financial numbers for FY 11, revenue received from the corporate hangars totals just over \$450,000 while associated debt service is about \$300,000. All corporate hangar utility costs are borne by the tenants.

- Staff has been checking all along with other airports to glean relevant information. We just learned that Ocean City Municipal Airport is in a position similar to us – they had a master plan and environmental study completed and then it was decided to shelve the plan. Needing to do another master plan, they applied to the Federal Aviation Administration for funding participation. The FAA refused to participate in funding either the new master plan or the environmental assessment. We then posed this question to Delta Airport Consultants, Mr. Dave Jones - how much should we anticipate having to pay for a new master plan and environmental assessment and can some of the work done on the current studies be used for these new studies as a way of holding down costs?

David W. Jones – Master Plan – There is a new Master Planning advisory circular (150/5070-6B) at this time which the FAA could require a whole new Master Plan be completed. However the options are as follows:

- Complete an ALP update with narrative (if FAA allows) - \$150,000 (estimated)
- New Master Plan according to new standards - \$500,000 (estimated)

Environmental Assessment – It is impossible to estimate what this might cost as it would completely depend on the projects that were planned and the level of effort that would be required to environmentally assess those projects. There is no way to presuppose what those projects might be and what the level of effort would be. It is likely, however, that we would be able to use information from the current EA.

I know that the EA response doesn't really answer your question, but this really would be impossible to answer without much additional information.

Jeff Topper – In the presentation by Public Works on September 1, Federal Aviation Administration participation was assumed if a new master plan and new environmental assessment had to be done, \$20,000 and \$25,000, respectively. With FAA participation no longer likely, as Mr. Dave Jones says above, these costs would be much higher. To provide context, the total cost of the current master plan was \$430,000 and the environmental assessment cost was \$1,044,000.

- The Commissioners requested a more detailed look at what makes up the airport's operating expenses.

Attached.

- The Commissioners requested copies of the airport's financial statements.

Attached.

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
Westminster, Maryland
Statement of Net Assets
Proprietary Funds
June 30, 2010

| | Business-type Activities-Enterprise Funds | | | | | Governmental Activities- Internal Service Funds |
|--|---|---------------------|---------------------|-------------------------------|----------------------|--|
| | Bureau of Utilities | Solid Waste | Airport | Other Proprietary Funds | Total | |
| ASSETS | | | | | | |
| Current Assets: | | | | | | |
| Equity in pooled cash and investments | \$ 15,133,000 | \$ 7,820,555 | \$ - | \$ 703,752 | \$ 23,657,307 | \$ 4,916,202 |
| Cash and cash equivalents | 10,714 | 6,619 | 100 | 200 | 17,633 | - |
| Receivables, net | 2,570,633 | 700,714 | 49,171 | 90,105 | 3,410,623 | 6,907 |
| Due from component units | - | 23,506 | - | - | 23,506 | - |
| Inventories | 468,052 | - | 14,759 | - | 482,811 | - |
| Prepaid items | 48,989 | 45,154 | 8,148 | - | 102,291 | - |
| Total current assets | <u>18,231,388</u> | <u>8,596,548</u> | <u>72,178</u> | <u>794,057</u> | <u>27,694,171</u> | <u>4,923,109</u> |
| Noncurrent Assets: | | | | | | |
| Capital assets: | | | | | | |
| Land | 153,132 | 1,794,154 | 6,678,462 | - | 8,625,748 | - |
| Buildings | 17,681,654 | 1,752,296 | 4,569,596 | 274,051 | 24,277,597 | - |
| Improvements other than buildings | 1,634,129 | 5,898,430 | 1,611,900 | 191,856 | 9,336,315 | - |
| Auto, machinery and equipment | 1,974,622 | 4,056,121 | 881,152 | 25,069 | 6,936,964 | - |
| Infrastructure | 90,733,665 | - | - | - | 90,733,665 | - |
| Construction in progress | 9,980,773 | 106,420 | 1,254,265 | - | 11,341,458 | - |
| Less accumulated depreciation | <u>(27,723,739)</u> | <u>(2,875,762)</u> | <u>(1,954,039)</u> | <u>(56,708)</u> | <u>(32,610,248)</u> | <u>-</u> |
| Total capital assets (net of accumulated depreciation) | <u>94,434,236</u> | <u>10,731,659</u> | <u>13,041,336</u> | <u>434,268</u> | <u>118,641,499</u> | <u>-</u> |
| Total assets | <u>112,665,624</u> | <u>19,328,207</u> | <u>13,113,514</u> | <u>1,228,325</u> | <u>146,335,670</u> | <u>4,923,109</u> |
| LIABILITIES | | | | | | |
| Current liabilities: | | | | | | |
| Accounts payable | 1,140,453 | 1,656,070 | 43,819 | 128,471 | 2,968,813 | 473,760 |
| Accrued interest payable | 238,090 | 49,227 | 17,958 | 1,599 | 306,874 | - |
| Unearned revenue | 10,116 | - | 38,362 | - | 48,478 | 10,374 |
| Accrued expenses | 30,404 | 19,827 | 3,697 | - | 53,928 | - |
| Due to other funds | - | - | 2,619,902 | - | 2,619,902 | 500 |
| Long-term liabilities due within one year: | | | | | | |
| General obligation bonds payable | 1,043,012 | 739,903 | 235,694 | 12,224 | 2,030,833 | - |
| Unamortized Costs | (15,884) | 4,852 | (1,989) | - | (13,021) | - |
| Unpaid insurance claims | - | - | - | - | - | 1,816,368 |
| Loans payable | 887,793 | - | - | - | 887,793 | - |
| Landfill closure, postclosure remediation | - | 129,484 | - | - | 129,484 | - |
| Compensated absences | 99,578 | 59,181 | 5,397 | - | 164,156 | - |
| Total long-term due within one year | <u>2,014,499</u> | <u>933,420</u> | <u>239,102</u> | <u>12,224</u> | <u>3,199,245</u> | <u>1,816,368</u> |
| Total current liabilities | <u>3,433,562</u> | <u>2,658,544</u> | <u>2,962,840</u> | <u>142,294</u> | <u>9,197,240</u> | <u>2,301,002</u> |
| Noncurrent liabilities: | | | | | | |
| General obligation bonds payable | 19,788,909 | 3,891,161 | 2,206,753 | 134,111 | 26,020,934 | - |
| Unamortized Costs | (106,795) | (38,275) | (15,072) | - | (160,142) | - |
| Unpaid insurance claims | - | - | - | - | - | 15,504 |
| Loans payable | 1,202,259 | - | - | - | 1,202,259 | - |
| Landfill closure, postclosure remediation | - | 10,707,563 | - | - | 10,707,563 | - |
| Compensated absences | 128,723 | 99,312 | 14,606 | - | 242,641 | - |
| Total noncurrent liabilities | <u>21,013,096</u> | <u>14,659,761</u> | <u>2,206,287</u> | <u>134,111</u> | <u>38,013,255</u> | <u>15,504</u> |
| Total liabilities | <u>24,446,658</u> | <u>17,318,305</u> | <u>5,169,127</u> | <u>276,405</u> | <u>47,210,495</u> | <u>2,316,506</u> |
| NET ASSETS | | | | | | |
| Invested in capital assets, net of related debt | 73,440,184 | 8,993,168 | 10,837,228 | 287,933 | 93,558,513 | - |
| Restricted for: | | | | | | |
| Capital projects | 442,426 | 829,862 | 36,532 | - | 1,308,820 | - |
| Unrestricted (deficit) | <u>14,336,356</u> | <u>(7,813,128)</u> | <u>(2,929,373)</u> | <u>663,987</u> | <u>4,257,842</u> | <u>2,606,603</u> |
| Total net assets | <u>\$ 88,218,966</u> | <u>\$ 2,009,902</u> | <u>\$ 7,944,387</u> | <u>\$ 951,920</u> | <u>\$ 99,125,175</u> | <u>\$ 2,606,603</u> |

The accompanying notes to the basic financial statements are an integral part of this statement.

THE COUNTY COMMISSIONERS OF CARROLL COUNTY
Westminster, Maryland
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2010

| | Business-type Activities-Enterprise Funds | | | | | Governmental Activities- Internal Service Funds |
|---|---|---------------------|---------------------|-------------------------------|----------------------|--|
| | Bureau of Utilities | Solid Waste | Airport | Other Proprietary Funds | Total | |
| Operating revenues: | | | | | | |
| Charges for services | \$ 7,843,041 | \$ 5,907,344 | \$ 518,581 | 715,534 | \$ 14,984,500 | \$ 14,041,514 |
| Federal Cobra subsidy | - | - | - | - | - | 21,143 |
| Total operating revenues | <u>7,843,041</u> | <u>5,907,344</u> | <u>518,581</u> | <u>715,534</u> | <u>14,984,500</u> | <u>14,062,657</u> |
| Operating expenses: | | | | | | |
| Personal services | 2,394,033 | 1,633,798 | 247,203 | 55,588 | 4,330,622 | - |
| Contractual services | 3,339,122 | 5,645,006 | 106,609 | 206,200 | 9,296,937 | - |
| Materials and supplies | 623,985 | 277,258 | 111,313 | 62,203 | 1,074,759 | - |
| Rents and utilities | 846,633 | 70,352 | 34,145 | 97,943 | 1,049,073 | - |
| Insurance | - | - | - | - | - | 12,725,602 |
| Miscellaneous | 319,687 | 659,588 | 56,263 | 94,697 | 1,130,235 | - |
| Depreciation | 1,914,768 | 472,312 | 169,728 | 27,805 | 2,584,613 | - |
| Total operating expenses | <u>9,438,228</u> | <u>8,758,314</u> | <u>725,261</u> | <u>544,436</u> | <u>19,466,239</u> | <u>12,725,602</u> |
| Operating income (loss) | <u>(1,595,187)</u> | <u>(2,850,970)</u> | <u>(206,680)</u> | <u>171,098</u> | <u>(4,481,739)</u> | <u>1,337,055</u> |
| Nonoperating revenues (expenses): | | | | | | |
| Penalties and interest | 200,785 | 211,945 | - | 1,601 | 414,331 | 9,781 |
| Maintenance fee assessment | 1,432,610 | - | - | - | 1,432,610 | - |
| Bond interest subsidy | 8,454 | - | - | - | 8,454 | - |
| Interest and fiscal charges | (1,051,417) | (202,701) | (104,350) | (6,040) | (1,364,508) | - |
| Gain on sale of capital asset | - | 35,395 | - | - | 35,395 | - |
| Total nonoperating revenues (expenses) | <u>590,432</u> | <u>44,639</u> | <u>(104,350)</u> | <u>(4,439)</u> | <u>526,282</u> | <u>9,781</u> |
| Income (loss) before contributions and transfers | <u>(1,004,755)</u> | <u>(2,806,331)</u> | <u>(311,030)</u> | <u>166,659</u> | <u>(3,955,457)</u> | <u>1,346,836</u> |
| Capital contributions (Area Connection Charges & Grants) | 426,563 | - | 48,969 | - | 475,532 | - |
| Capital contribution-equip. transferred from governmental activities | - | 15,888 | - | - | 15,888 | - |
| Transfers in | 200,200 | 2,545,000 | - | - | 2,745,200 | - |
| Change in net assets | <u>(377,992)</u> | <u>(245,443)</u> | <u>(262,061)</u> | <u>166,659</u> | <u>(718,837)</u> | <u>1,346,836</u> |
| Total net assets - beginning of year | <u>88,596,958</u> | <u>2,255,345</u> | <u>8,206,448</u> | <u>785,261</u> | <u>99,844,012</u> | <u>1,259,767</u> |
| Total net assets - ending | <u>\$ 88,218,966</u> | <u>\$ 2,009,902</u> | <u>\$ 7,944,387</u> | <u>\$ 951,920</u> | <u>\$ 99,125,175</u> | <u>\$ 2,606,603</u> |

The accompanying notes to the basic financial statements are an integral part of this statement.