



**THE CITY OF SAN DIEGO**

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**AIRPORTS DIVISION  
BUSINESS PLAN (2015)**

## **Executive Summary**

The Airports Division, part of the Real Estate Assets Department (READ), is responsible for operating the City's two General Aviation airports, Montgomery Field and Brown Field, within the City of San Diego. General Aviation includes all aviation activities except scheduled airline and military flights, although Brown Field accommodates a sizeable number of military operations. The two airports support a significant portion of the San Diego region's total annual flight operations, and can accommodate a variety of General Aviation aircraft. Montgomery Field is the busiest General Aviation airport in the San Diego region and Brown Field has the longest available civilian runway in the region. Aviation lessees include: Fixed Base Operators (FBOs) that provide fuel, aircraft maintenance and aircraft storage facilities; flight schools; San Diego Fire-Rescue helicopter operations; San Diego Police Air Support Unit; emergency medical transport operations and several hundred individual aircraft owners. The majority of the Airports' revenues are derived from non-aviation lessees that include: a hotel, business-park, restaurants, Fire Station 43, City Field Engineering, San Diego Police Department Eastern Division, office space tenants and other individual lessees. Airport staff has the responsibility of maintaining the airports in conformance with Federal Aviation Administration (FAA) regulations and Grant Assurances, as well as, administering the various leases.

The City's General Aviation airports have significant potential for development, however, in the past the Airports Division has not maximized opportunities to generate additional revenue, improve facilities, nor has a long-term plan addressed these issues until now.

Over time, insufficient planning and oversight by the Airports Division management team has resulted in missed opportunities for development and revenue generation at Brown Field and Montgomery Field airports. Insufficient planning and oversight have also had an adverse effect on the Airports Division's ability to clearly and consistently communicate its vision and maximize the development opportunities that current and potential leaseholders have proposed. This plan will rectify these issues.

The "AIRPORTS DIVISION BUSINESS PLAN (2015)" is intended to ensure that the City's Airports System is operated safely and efficiently, is in compliance with all appropriate regulations, is financially self-sufficient, encourages airport business growth and opportunities, is customer focused both internally and externally, maximizes the City's Return on Investment for Airport property, and is managed by professional airport management staff. The goals and objectives were evaluated using the "SMART" and "GROW" models in order to clarify and refine both. "Action Plans", articulated in the plan, address the attainment of specific goals/objectives and were developed by answering the "Six W's". (See attached for "SMART" & "GROW" models, and the "Six W's".) This plan is intended to be a "living and working" document that adapts as conditions change.

The Airports Division management team is committed to making the City of San Diego's Airports world renowned General Aviation transportation portals serving a world class City.

## **AIRPORTS DIVISION BUSINESS PLAN (2015)**

### **Mission:**

To develop, operate, and maintain Montgomery and Brown Field Airports as world class General Aviation Reliever Airports, providing access to the National Air Transportation System in a safe, efficient, economically self-sufficient, environmentally sensitive, and professional manner.

### **Vision:**

World renowned General Aviation Airports, to serve a world-class city.

### **Values:**

#### Integrity

- Do the right thing
- Be ethical, truthful and fair
- Take responsibility for our actions

#### Service

- Exhibit pride in all that we do
- Treat others as we would like to be treated
- Anticipate and promptly respond to request

#### People

- Value customers and employees as partners
- Recognize that an engaged City workforce is the key to quality customer service
- Promote diversity as a strength

#### Excellence

- Foster a high performance culture
- Establish clear standards and predictable processes
- Measure results and seek improvement in everything we do

### **Goals and Objectives:**

#### **1. Ensure City Airports are operated safely and efficiently.**

- a. Inspect the airports every day, morning and evening per FAA standards.

- b. Pass annual CALTRANS Aeronautics inspections.
  - c. Maintain capability for emergency repairs.
- 2. Ensure the Airports comply with all applicable federal, state, and local regulations as access portals to the National Air Transportation System.**
- a. Ensure that the Airport Master Plans for both Brown Field and Montgomery Field are current and valid.
  - b. Update Airport Layout Plans as required and include narratives for new projects.
  - c. Publish an **Airports Operations Policy Manual** to ensure compliance with all FAA requirements regarding Airport Operations and all FAA Airport Improvement Program Grant Assurances.
  - d. Conduct annual hangar and facility inspections.
  - e. Correct discrepancies found during inspections in a timely manner in accordance with the Airports Operations Policy Manual.
- 3. Ensure the City's airports are financially self-sufficient, maximize aviation uses, and invest in Airports infrastructure.**
- a. Ensure that all available Airports properties are held under appropriate leases or use agreements, with no lease in a "hold-over" status.
  - b. Offer long term leases to the "Tiedown" tenants with hangars.
  - c. Maximize the City's Return on Investment by ensuring that all leases comply with City policies, are monitored regularly, and are based on market rate studies.
  - d. Ensure that Airports "**Rates and Charges**" are evaluated annually to be fair and reasonable, and are adjusted appropriately in accordance with City policy.
  - e. Annually publish an "**Airports Division Business Plan**" which will be presented to the Airports Advisory Committee and the Economic Development and Intergovernmental Relations Committee.
- 4. Create a climate in which airport businesses and local businesses are able to thrive and contribute to a resilient and economically prosperous City.**
- a. Ensure that the Airport Master Plans for both Brown Field and Montgomery Field are current and valid.
  - b. Publish and keep updated a "**Minimum Standards**" document that encourages, promotes, and ensures that:
    - i. The delivery of high quality General Aviation products, services, and facilities to Airport users.
    - ii. The design and development of quality General Aviation improvements at the Airport;
    - iii. General Aviation safety and security,

- iv. The economic health of General Aviation businesses.
    - v. The orderly development of Airport property for General Aviation purposes.
  - c. Publish, use, and update an “**Airports Division Property Management Manual**” that addresses day-to-day Airports property management functions.
- 5. Be customer focused and responsive to citizen’s concerns, particularly noise and safety concerns.**
  - a. Seek and embrace public input.
  - b. Create and distribute a “**Customer Satisfaction Survey**” for both internal and external customers to provide feedback seeking at least an 80% approval rating.
  - c. Solicit advice from the Airports Advisory Committee and community planning groups.
  - d. Involve the Airports Advisory Committee, users, citizens, and other interested parties in the operation, utilization and development of the Airports.
  - e. Respond to community noise and safety complaints within two business days.
  - f. Airport Managers will publish a staggered, bi-annual airport specific electronic newsletter.
- 6. Be extraordinary stewards of Airports property, especially environmentally unique and sensitive habitat.**
  - a. Ensure that all Airports properties and real property improvements are maintained in the best possible condition and that environmentally sensitive habitat, on the Airports, are maintained and protected in accordance with appropriate standards.
  - b. Conduct annual inspections of all Airports property.
  - c. Update the inventory of all Airport Lease Agreements and Airport owned real property assets.
  - d. Identify all aeronautical and non-aeronautical leases.
  - e. Utilize the existing plan to annually:
    - i. Complete regular market rate studies for relevant leases.
    - ii. Track and update all leases.
    - iii. Review and implement rent adjustments.
- 7. Retain and recruit experienced professionals, well versed in airport management and provide recurrent training to maintain a high level of competency.**

- a. Place emphasis on education and aviation experience in the selection of new employees.
- b. Encourage membership in professional organizations, such as the American Association of Airport Executives.
- c. Encourage Certification and/or Accreditation from the American Association of Airport Executives.
- d. Encourage attendance at professional conferences and workshops related to the airport industry.
- e. Recognize and promote employees who demonstrate exceptional performance and knowledge in the airport management field.

**Performance Measures (listed by Goal):**

**1. Ensure City Airports are operated safely and efficiently.**

- a. Airport Operations staff shall inspect all Airport facilities every day, morning and evening, per FAA standards making appropriate Log entries.
- b. In conjunction with the FY 2016 Mid-Year Review hire another Airport Operations Assistant for Montgomery Field.
- c. Annual CALTRANS Aeronautics inspections of the Airports shall have no repeat discrepancies.

**2. Ensure the Airports comply with all applicable federal, state, and local regulations as access portals to the National Air Transportation System.**

- a. Ensure that the Airport Master Plans for both Brown Field and Montgomery Field are current and valid by including both in the FY 2017 Aviation Capital Improvement Program (ACIP) submission to the FAA and CALTRANS Aeronautics for updates.
- b. Publish an “**Airports Operations Policy Manual**” by October 1, 2015 to ensure compliance with all FAA requirements regarding Airport Operations.
- c. By January 1, 2016 publish and keep updated a “**Minimum Standards**” document that encourages, promotes, and ensures that all commercial operations permitted on the Airports comply with all FAA Airport Improvement Program Grant Assurances.
- d. Conduct annual hangar and facility inspections and correct discrepancies in a timely manner.

**3. Ensure the City’s airports are financially self-sufficient, maximize aviation uses, and invest in Airports infrastructure.**

- a. By the start for FY 2017 ensure that all available Airports properties are held under appropriate leases or use agreements, with no lease in a “hold-over” status. (Maintain the “Gibbs” property in “hold-over” status until the threshold for R-28R is moved 1,200 feet east.)

- b. Offer 15-year leases to “Tiedown” tenants who have “hangars” on tiedowns with month-to-month use agreements; leases to have a “coterminous” end date. Make offers no later than the start of FY 2017.
  - c. As current leases come to term and new leases are negotiated, maximize the City’s Return on Investment, by ensuring that all leases comply with City policies, are monitored regularly, and are based on market rate studies.
  - d. As required by City policy, annually as part of the Budget process, ensure that all Airports “**Rates and Charges**” are evaluated annually to be fair and reasonable, and are adjusted appropriately.
- 4. Create a climate in which airport businesses and local businesses are able to thrive and contribute to a resilient and economically prosperous City.**
- a. Update the Airport Master Plans for both Brown Field and Montgomery Field.
  - b. By January 1, 2016 publish and keep updated a “**Minimum Standards**” document that encourages, promotes, and ensures that all commercial operations permitted on the Airports comply with all FAA Airport Improvement Program Grant Assurances.
- 5. Be customer focused and responsive to citizen’s concerns, particularly noise and safety concerns.**
- a. Continue to seek and embrace public input, keeping a record of that input.
  - b. Continue to involve the Airport Advisory Committee users, citizens, and other interested parties in the operation, utilization and development of the Airports.
  - c. Ensure that the pilot community is aware of airport noise regulations and that the airport noise regulations are uniformly enforced with appropriate documentation.
  - d. Facilitate public “**informational meetings**” to communicate the impacts of moving the threshold of R 28R no later than January 1, 2016.
  - e. Create a “**Customer Satisfaction Survey**” to be distributed and evaluated by April 1, 2016. Results of the Customer Survey to be reported annually to the Airports Advisory Committee and the Economic Development and Intergovernmental Relations Committee.
  - f. Document the response of all noise complaints within two business days.
  - g. Beginning in October 2015, Airport Managers will publish a staggered, bi-annual airport specific electronic newsletter.
- 6. Be extraordinary stewards of Airports property, especially environmentally unique and sensitive habitat.**

- a. Inspect Airports properties and real property improvements weekly to ensure that all Airports properties are maintained in the best possible condition and that environmentally sensitive habitat, on the Airports, is maintained and protected in accordance with appropriate standards.
- b. Airports staff will conduct annual inspections of all Airports property emphasizing Fire and Life Safety issues along with occupancy usage.
- c. Utilize and refine the existing Airports Properties Management plan to annually track and update all Airport Lease Agreements and Airport owned real property assets, to ensure that the inventory of such is accurate and current, reflecting all aeronautical and non-aeronautical uses.

**7. Retain and recruit experienced professionals, well versed in airport management and provide recurrent training to maintain a high level of competency.**

- a. Hire new employees, particularly Airport Operations staff, with aviation experience and aviation education.
- b. In conjunction with the FY 2016 Mid-Year Review, request to add one FTE to hire another Airport Operations Assistant for Montgomery Field.
- c. Each Fiscal Year provide employees paid opportunities to attend professional conferences and workshops related to the airport industry.
- d. Pay for membership in the American Association of Airport Executives for employees and encourage Certification and/or Accreditation from the organization by paying expenses associated with the process.
- e. Develop employees and recognize employees who demonstrate exceptional performance and knowledge in the airport management field by promoting them to increased responsibilities and positions.

**Financial Analysis:**

A review of the **City of San Diego Comprehensive Annual Financial Report (CAFR) for the Fiscal Year ending June 30, 2014** reveals the following.

From the Combining Statement of Net Position (Balance Sheet), it is observed that the Airport Enterprise Fund has **Total Assets of \$33,699,000** of which \$17,621,000 are Capital Assets, consisting of infrastructure on the airfields, compared to only **\$1,160,000** in **Total Liabilities**. By reconciling the Net Position, **Total Net Assets are \$32,539,000.**

The Current Ratio is 53.59 to 1 and Net Working Capital is \$15,778,000. Net Working Capital is the difference between Current Assets of \$16,078,000 and Current Liabilities of \$300,000. Current Assets include Cash & Investments and Receivables, which includes FAA AIP Grants. Current Liabilities include Accounts Payable, Accrued Wages and Benefits, and Long-Term Liabilities Due Within One Year.

The Net Working Capital of \$15,778,000 is projected to be allocated as follows:



- CIP Projects (Non-AIP), including the local match for FAA Grants: \$6,000,000
    - Customs Border Protection Facility @ SDM
    - Environmental Mitigation for Localizer @ MYF
    - Other Environmental Mitigation
    - ADA Access Projects
  - Operations & Maintenance Projects, including personnel costs: \$6,000,000
    - Contract Paving, Mowing, Sweeping, etc.
  - Emergency Reserve (~11.2%) \$3,778,000
- \$15,778,000

The Debt to Total Net Assets (Equity) Ratio is 3.56% and the Debt Ratio is 3.44%.

It is clear that the Airport Enterprise Fund is extremely liquid and carries very little debt.

From the Combining Statement of Revenues, Expenses, Changes in Net Fund Position (Income Statement), it is observed that **Total Operating Revenues were \$4,371,000** and **Total Operating Expenses were \$4,322,000** which leaves an **Operating Income of \$49,000**. **Income Before Contributions and Transfers was \$303,000**, due primarily to Earnings on Investments and FAA Grant Assistance. The **Change in Net Position**, after reconciling Capital Contributions and Transfer to Governmental Funds was **\$640,000** which provided the Airports Fund with a **Net Position at the End of the Year of \$32,539,000**.

The **Operating Profit Margin** was **1.1%** which is considered low, due primarily to Operating Revenues being lower than they should be based on the excessive number of hold-over tenants.

The **Net Profit Margin** was **6.9%**, however this is skewed due to the FAA Grant Assistance of \$461,000.

From the Combining Statement of Cash Flows it is observed that Cash at the Beginning of the Year was \$14,414,000; Cash From Operating Activities was \$588,000; Cash From Non-Capital Financing was \$397,000; Cash Used From Capital and Related Financing (\$210,000); Cash From Investing was \$90,000; and Cash at the End of the Year was \$15,279,000.

The **Net Increase in Cash from FY 2013 to FY 2014** was **\$865,000**. The majority of the cash received was from Receipts from Customers & Users, FAA Grants Received, and Proceeds from Capital Contributions.

A review of the City of San Diego Comprehensive Annual Financial Reports (CAFR) for Fiscal Years 2010 to 2014 reveals that Total Assets have increased by \$6,371,000; Net Assets have increased by \$6,230,000; during the five years Profits have been as low as a loss of (\$512,000) to a high of \$576,000 and in FY 2014 \$49,000; Operating Efficiency has trended downward from a high of 13.8% to 1.1% in FY 2014; Debt has remained constant at minimal levels of less than 5% when compared to Assets and Net Assets (Equity); and Cash has increased in four of the five years by as much as \$1,334,000. (See the Comparison Table.)

In spite of the fact that the Airports Enterprise Fund is fiscally sound, carries very little long term debt, and is incredibly liquid, it simply is not very operationally efficient. Having an Operating Profit Margin of 1.1% is indicative of the fact that the revenue stream is significantly diminished due to the excessive number of hold-over tenants! By eliminating hold-over tenants via the RFP process, using fair market pricing, it is estimated that revenues could increase annually by \$1,000,000 or over 20%. It is the Airports Division goal to eliminate all hold-over tenants and month-to-month usage agreements by January 1, 2017.

**City of San Diego Airports Enterprise Fund**

**FY2010 to FY2014 Comparison based on Comprehensive Annual Financial Reports**

<b>FY</b>	<b>Total Assets</b>	<b>Cur. Assets</b>	<b>Total Liab.</b>	<b>Cur. Liab.</b>	<b>Net Assets</b>	<b>Profit</b>	<b>Cur. Ratio</b>	<b>OP Margin</b>	<b>Net Margin</b>	<b>Debt Ratio</b>	<b>Debt/ Eq</b>	<b>Cash + / -</b>
2010	\$27,328,000	\$13,894,000	\$1,019,000	\$497,000	\$26,309,000	<b>\$(512,000)</b>	27.96	<b>-10.9%</b>	<b>-7.90%</b>	3.73%	3.87%	\$1,334,000
2011	\$28,436,000	\$15,049,000	\$1,142,000	\$508,000	\$27,294,000	\$475,000	29.62	10%	13.60%	4.0%	4.20%	\$910,000
2012	\$29,092,000	\$15,466,000	\$927,000	\$243,000	\$28,165,000	\$576,000	63.65	13.8%	15.56%	3.20%	3.30%	\$638,000
2013	\$33,612,000	\$15,587,000	\$1,524,000	\$850,000	\$32,088,000	\$199,000	18.34	4.0%	5.20%	4.53%	4.75%	<b>\$(334,000)</b>
2014	\$33,699,000	\$16,078,000	\$1,160,000	\$300,000	\$32,539,000	\$49,000	53.59	1.1%	6.90%	3.44%	3.56%	\$865,000

## The SMART Model

The SMART model can be used to help establish goals. This model is designed to assess existing goals and/or facilitate the establishment of new goals. Whether existing or new, every goal needs to meet the following **SMART** model criteria:

- **Specific**—simple, straightforward, compelling (without specificity, a goal can never truly be reached).
- **Measurable**—tangible, able to be tracked (an effective goal requires a statement of the tangible evidence that the goal has been reached).
- **Attainable**—possible, yet challenging enough to be motivating. If a goal requires an organization to reach beyond its true self, the goal will become burdensome and ultimately detrimental to the process. However, the goal should be challenging enough to cause the airport’s policymakers, management, and staff to “rise up” to achieve it.
- **Relevant**—important to stakeholders and connected to the organization’s values. Goals that are explicitly connected to values are motivational and, generally, easier to achieve as a result.
- **Time Bound**—includes a beginning and ending point. Identifying start and end dates provides the “race-track” needed to keep an organization on course with a clear finish line to pursue.

## The GROW Model

- **Goal**—A goal is a statement of a desired result, outcome, or level of attainment that needs to be reached to realize the mission and vision for the airport. All goals need to be SMART goals.
- **Reality**—This component focuses on the current state of the airport. It includes an assessment of the current reality of the situation at the airport, the magnitude of the work that needs to be accomplished, and the people who need to do the work.
- **Options**—This component focuses on identifying the various ways to achieve a specific goal. An analysis of the alternatives and the issues, challenges, problems, and risks associated with each option can be used to help identify the most appropriate alternative.
- **Will**—This component focuses on determining whether or not the resources will be available and the people will be ready, willing, and able to perform the tasks necessary to achieve the goal. There is a subjective element to this decision as airport managers and policymakers will need to assess the readiness, willingness, and ability of others to make and keep a commitment to achieve the goal.

## The Six Ws

- **Who** is going to perform the tasks (the **people**)?
- **What** specific actions need to be performed (the **tasks**)?
- **When** are the tasks going to be completed (the **schedule**)?
- **Where** are the tasks going to be accomplished (the **location**)?
- **Why** do the tasks need to be performed (the **reason**)?
- **How** is the objective going to be accomplished (the **approach** and the **resources**)?