



REAL ESTATE ASSETS DEPARTMENT

AIRPORTS DIVISION

BUSINESS PLAN (FY 2018)

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-Gibbs Executive Airport and Brown Field Airport, within the City of San Diego. General Aviation includes all aviation activities except scheduled airline and military flights, although Brown Field Airport 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-Gibbs Executive Airport is the busiest General Aviation airport in the San Diego region and Brown Field Airport 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, SDFR Fire Station 43, San Diego Police Department Eastern Division, office space tenants and other individual lessees.

Airport staff has the responsibility of operating both airports safely and efficiently, as well as, maintaining the airports in conformance with Federal Aviation Administration (FAA) regulations and Grant Assurances. Airport staff additionally administers the various leases.

The City's General Aviation airports have significant potential for development and the Airports Division is currently working on updating the "Airports Master Plan" for both Montgomery-Gibbs Executive Airport and Brown Field Airport which will provide a framework for development.

The "AIRPORTS DIVISION BUSINESS PLAN (FY 2018)" is intended to ensure that the City's Airports System continues to be 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 of this plan were reviewed 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 remains 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 (FY 2017)

Mission:

To develop, operate, and maintain Montgomery-Gibbs Executive Airport and Brown Field Airport 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. Receive acceptable reports from the FAA's Runway Safety Action Team's (RSAT) airport evaluation.
 - d. 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 Airport and Montgomery-Gibbs Executive Airport are current and valid.
 - b. Conduct annual hangar and facility inspections.
 - c. 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. Maximize the City's Return on Investment by ensuring that all leases comply with City policies, are monitored regularly, and are evaluated based on market rate studies.
 - c. Ensure that Airports "**Rates and Charges**" are evaluated annually to be fair and reasonable, and are adjusted appropriately in accordance with City policy.
 - d. Annually publish an "**Airports Division Business Plan**" which will be presented to the Airports Advisory Committee and the Smart Growth and Land Use 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 Airport and Montgomery-Gibbs Executive Airport are current and valid.
 - b. Use 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. Use, and update as needed the “**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 input from the Airports Advisory Committee, Community Planning Groups and the general public.
 - b. Create and distribute an annual Airports Division “**Customer Satisfaction Survey**”.
 - c. Involve the Airports Advisory Committee, users, citizens, and other interested parties in the operation, utilization and development of the Airports.
 - d. Respond to community noise and safety complaints within two business days.
 - e. 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. Ensure that the Airports Division maintains and monitors environmentally sensitive habitat professionally. The Airports Division Environmental Biologist will perform all FAA required “wildlife hazard” assessments and prepare any subsequent wildlife management plans.
 - c. Conduct annual inspections of all Airports property.
 - d. Update the inventory of all Airport Lease Agreements and Airport owned real property assets.
 - e. Identify all aeronautical and non-aeronautical leases.
 - f. Utilize the Airports Division Property Management Manual 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 qualified 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 management level 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 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. Inspect all Airport facilities every day, morning and evening, per FAA standards making appropriate Log entries.
- b. Staff both Montgomery-Gibbs Executive Airport and Brown Field Airport with Airports Division personnel seven days per week.
- c. Ensure annual CALTRANS Aeronautics inspections of the Airports shall have no repeat discrepancies.
- d. Ensure FAA's Runway Safety Action Team's (RSAT) airport evaluations find no repeat discrepancies nor uncorrected runway incursion issues.

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 Airport and Montgomery-Gibbs Executive Airport are current and valid.
- b. Use and keep updated the "**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.
- c. 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. 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 Airports Master Plan is completed and approved by the City Council.)
- b. 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.

- c. As required by City policy ensure that all Airports Division “**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. Ensure the Airport Master Plans and Airport Layout Plans for both Brown Field Airport and Montgomery-Gibbs Executive Airport are current.
 - b. Use and keep updated the “**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. Airport Managers will conduct quarterly Pilot Meetings to discuss current operational issues with the pilot users group.
 - e. Create a “**Customer Satisfaction Survey**” to be distributed annually. Results of the Customer Survey to be reported annually to the Airports Advisory Committee and the Smart Growth and Land Use Committee.
 - f. Document the response of all noise complaints within two business days.
 - g. 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. Ensure that the Airports Division complies with all environmental agency requirements and FAA guidance.
 - c. Airports staff will conduct annual inspections of all Airports property emphasizing Fire and Life Safety issues along with occupancy usage.

- d. 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. Emphasize that new Airport Operations management employees, should have aviation experience and aviation education.
- b. Each Fiscal Year provide employees opportunities to attend professional conferences and workshops related to the airport industry.
- c. Support 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.
- d. 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, 2016** provides the following.

From the Combining Statement of Net Position (Balance Sheet), it is observed that the Airport Enterprise Fund has **Total Assets of \$47,512,000** of which \$28,632,000 are Capital Assets, consisting of infrastructure on the airfields, compared to only **\$6,514,000** in **Total Liabilities**. By reconciling the Net Position, **Total Net Assets are \$40,940,000.**

The Current Ratio is 4.92 to 1 and **Net Working Capital is \$14,981,000**. Net Working Capital is the difference between Current Assets of \$18,806,000 and Current Liabilities of \$3,825,000. 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 \$14,981,000 is projected to be allocated as follows:

- CIP Projects, including the local match for FAA Grants: \$7,418,000
 - Environmental Mitigation for Localizer @ MYF
 - Other Environmental Mitigation
 - Rehabilitation of Terminal Buildings for both Airports
- Operations & Maintenance Projects, including personnel costs: \$7,000,000
 - Contract Mowing, Sweeping, etc.

- Emergency Reserve (~12% of Total Annual Operating Revenues)

\$ 563,000

\$14,981,000

| CIP Projects | Brown Field | Montgomery Field | Total |
|--|-------------|------------------|---------------------|
| Environmental Mitigation for Localizer | \$0 | \$500,000 | \$500,000 |
| Other Environmental Mitigation | \$2,418,000 | \$4,000,000 | \$6,418,000 |
| Rehabilitation of Terminal Buildings | \$250,000 | \$250,000 | \$500,000 |
| Totals | \$2,668,000 | \$4,750,000 | \$7,418,000 |
| | | | |
| Operations & Maintenance Projects | | | |
| Contract Mowing, Sweeping, etc. | | | \$7,000,000 |
| | | | |
| Emergency Reserve | | | \$563,000 |
| (~12% of Total Annual Operating Revenues) | | | |
| Grand Totals | | | \$14,981,000 |

The Debt to Total Net Assets (Equity) Ratio is 15.9% and the Debt Ratio (Total Liabilities to Total Assets) is 13.7%.

Total Liabilities more than doubled from the previous year, an increase from \$3,195,000 to \$6,514,000 due to FAA Grant funded Capital Improvement Program projects (CIP) and the Airports Enterprise Fund paying for Barrier Removal to comply with the Americans with Disabilities Act (ADA). The majority of this increase was due to Accounts Payable increasing from \$530,000 to \$3,649,000. The Airports Enterprise Fund remains liquid with a Current Ratio of \$4.92 of Current Assets to one dollar of Current Liabilities. Both the Debt to Total Net Assets (Equity) Ratio and the Debt Ratio remain within acceptable limits.

From the Combining Statement of Revenues, Expenses, Changes in Net Fund Position (Income Statement), it is observed that **Total Operating Revenues were \$4,691,000** which was an increase of \$73,000 from the previous year and **Total Operating Expenses were \$4,847,000**, an increase of \$1,074,000 from the previous year. This created an **Operating Loss of (\$156,000)**. In FY 2016 Maintenance and Operations Expense increased by \$445,000 from the previous year, as did the Administration Expense by \$296,000 and Depreciation by \$333,000. Although, the Net of Total Non-Operating Revenues increased by \$5,000, the Income Before Contributions and Transfers was a loss of (\$2,000). The **Change in Net Position**, after reconciling Capital Contributions and Transfer to Governmental Funds, primarily FAA Airport Improvement Program (AIP)

Grants of \$8,936,000 used for CIP projects, was an increase from the previous fiscal year of \$696,000 which provided the Airports Fund with a **Net Position at the End of the Year of \$40,940,000**.

The **Operating Profit Margin** was negative at (3.32%) as Operating Expenses exceeded Operating Revenues as stated above. The **Net Profit Margin** indicated a very small loss of **(0.043)**, reinforcing the Net Loss of (\$2,000) stated above.

From the Combining Statement of Cash Flows it is observed that Cash at the Beginning of the Year was \$16,809,000; Cash From Operating Activities was \$1,042,000; Cash From Non-Capital Financing was \$0; Cash Used From Capital and Related Financing (\$3,679,000); Cash From Investing was \$142,000; and Cash at the End of the Year was \$14,314,000.

The **Net Increase (Decrease) in Cash from FY 2015 to FY 2016** was actually a decrease of **(\$2,495,000)**. The decrease in Cash can be attributed to the acquisition of Capital Assets, primarily runway pavement reconstruction projects local match for FAA Airport Improvement Program grants and the remodeling of restrooms in both Airport Terminal Buildings to comply with ADA requirements at a cost of \$2,022,500.

A review of the City of San Diego Comprehensive Annual Financial Reports (CAFR) for the past five fiscal years, Fiscal Years 2012 to 2016, reveals that Total Assets have increased by \$18,420,000; Net Assets have increased by \$12,775,000; Profits have been as low as a loss of (\$156,000) in the current fiscal year to a high of \$845,000 in FY 2015; Operating Efficiency has varied from a low of (3.32%) in the current fiscal year to a high of 18.3% in FY 2015; Debt remained relatively low from FY 2012 to FY 2016 at minimal levels of less than 16% when comparing to Assets and Net Assets (Equity), however, there has been an upward trend in debt for the past two fiscal years due to an increase in CIP expenses and Net Pension Liability; and lastly Cash flow has fluctuated from increases of as much as \$1,530,000 in FY 2015 to decreases of (\$2,495,000) in FY 2016. (See the Comparison Table.)

The Airports Enterprise Fund remains fiscally sound, carrying only 5.7% of Long Term Debt, primarily in Net Pension Liability, compared to Total Assets, and is incredibly liquid having \$4.92 of Current Assets for every dollar of Current Liabilities, but it remains operationally less than optimally efficient with both losses in the Operating Profit Margin and Net Profit Margin in the current fiscal year. Operational efficiency will be enhanced as the Airports Division continues to eliminate hold-over leases by using the RFP process with rents based on Fair Market Value.

The Airports Division remains committed to the goals of being financially self-sufficient, maximizing aviation uses, and investing in Airports infrastructure

City of San Diego Airports Enterprise Fund Comparison
FY2012 to FY2016 based on Comprehensive Annual Financial Reports

City of San Diego--Real Estate Assets Department, Airports Division
 FY 2012 to FY 2016 Comprehensive Annual Financial Report Analysis

| FY | Total Assets | Current Assets | Total Liabilities | Current Liabilities | Net Assets | Profit | Current Ratio | Operating Margin | Net Margin | Debt Ratio | Debt/Eq | Cash + / - |
|------|---------------|----------------|-------------------|---------------------|---------------|--------------|---------------|------------------|------------|------------|---------|----------------|
| 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% | \$ (334,000) |
| 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 |
| 2015 | \$ 35,569,000 | \$ 17,686,000 | \$ 3,195,000 | \$ 674,000 | \$ 32,007,000 | \$ 845,000 | 26.24 | 18.3% | 22% | 8.98% | 9.98% | \$ 1,530,000 |
| 2016 | \$ 47,512,000 | \$ 18,806,000 | \$ 6,514,000 | \$ 3,825,000 | \$ 40,940,000 | \$ (156,000) | 4.92 | -3.32% | -0.043 | 13.7% | 15.9% | \$ (2,495,000) |

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 W’s

- **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**)?