

County of Santa Clara
Airports Commission

Tuesday, November 7, 2006
Minutes

Special Meeting

1. **Call to Order/Roll Call.**

The special meeting of the Airports Commission is called to order by Chairperson Pathak at 6:05 p.m. in Room 157, County Government Center, 70 West Hedding Street, San Jose. A quorum is present.

Members Present:

Sagar Pathak

Bud Beacham

William Carpenter

John Ford

Michael Leeper

Robert Lenox

Members Absent:

Ron Blake

2. **Public Presentations:**

There are no public presentations.

3. **Consider further from the October 3, 2006 meeting (Item No. 6) the draft Palo Alto Airport Business Plan and staff recommendations.**

Chairperson Pathak inquires if staff have any additional comments to add to the presentation and comments provided at the October 3, 2006 meeting, and Carl Honaker, Director of County Airports, responds that staff have no additional comments. Chairperson Pathak invites members of the public who are present to comment.

Chuck Byer, resident of Palo Alto and representative of the Palo Alto Airport Association, states that he is asking the Commission to reject the Business Plan. He comments on the importance of the Palo Alto Airport (PAO) as a regional resource and notes that there are more than 200,000 take-offs and landings each year at PAO. He informs the Commission

that PAO is the second busiest airport in the County Airports system and that it has been profitable in 21 of the past 24 years, according to an audit by the City of Palo Alto. He further notes that PAO has had a net profit of more than \$400,000 over the past 37 years and that it is not unprofitable. He reminds the Commissioners of the medical flights that come into and out of PAO and states that PAO is a vital link in the County transportation system.

Mr. Byer expresses the opinion that the Business Plan is irrational, inaccurate, unjustified, and discriminatory for a myriad of reasons. He explains that he feels the Business Plan is irrational because it conflicts with the long-standing Board of Supervisors' policy of looking at the County Airports System as a whole and it does not look at methods for cutting costs. He states that the Business Plan is inaccurate because the assertion that PAO is losing money was disproved by the audit completed by the City of Palo Alto, and that it is unjustified because it is in conflict with the PAO Master Plan and with existing County policy. He further asserts that the Business Plan is discriminatory because it is isolating PAO in order to achieve a political advantage with the City of Palo Alto. He informs the Commission that the County's policy states that the Airport Enterprise Fund (AEF) should be self-sustaining, as a system. He expresses the opinion that the rate increases as proposed would lead to a loss of tie-down revenue, property tax and sales tax revenues because tenants would leave PAO for airports outside of the County.

Mr. Byer recommends that the Department reinstate the concept of the County Airports System, and that the Commission return the Business Plan as incomplete, reject the discriminatory practices in the Business Plan, raise fees equally at all airports in the County, and avoid the involvement of the Federal Aviation Administration (FAA).

Ralph Britton, Palo Alto Airport Association, states that he agrees with everything expressed by Mr. Byer. He adds that the County Airports System was developed with considerable thought and that the South County Airport (E-19) is not held to the same standard of providing complete repayment of its Outstanding Advance by 2017. He notes that with the timeline of 2017, building additional hangars at PAO would not be profitable

and he points out that the County pays only 50 cents per year for PAO, as opposed to the \$1.7 million it paid for Reid–Hillview Airport (RHA) and a similar amount for South County. He expresses opposition to annual raises in rates without Commission or Board of Supervisors review and approval, and he notes that the rates are based on projections of over–inflation.

Commissioner Ford expresses the belief that the major issue that is creating concerns is the lease expiration date of 2017 and that this date limits the County's options. He emphasizes that raising the rates significantly at PAO will create many unknowns, such as how many aircraft will move out of the County or how many aircraft will move to RHA, which will further increase noise complaints at RHA, or whether legal fees will be incurred. He states that if the City of Palo Alto gave PAO to the County, the issue of lease expiration and constraints placed on the operations of PAO by the City would be remedied and that staff could continue to do their jobs well without the constraints of the lease.

Commissioner Lenox reads an excerpt from the Roads and Airports Department Strategic Plan which states that General Aviation Airports are key elements in the County airport transportation system. He notes that the Strategic Plan was published last year and refers to the Airports System rather than individual airports operating in isolation. He asserts that the Department has redefined the manner in which it looks at the Airports. He expresses the belief that the South County Airport (E–19) has not made profit in the 35 years since it was established and that PAO has assisted in supporting E–19. He further asserts that the rates proposed by the Department could cause aircraft owners to move their aircraft outside of the County of Santa Clara, resulting in a loss of property taxes by the County.

Commissioner Beacham states that the conversation has been about a symptom and not the underlying problem. He asserts that the symptom is the need to raise rates at PAO, and the underlying problem is that the Department was poorly managed in the past and money invested was not repaid in a timely manner. He expresses the opinion that each airport should be self–sustaining and that rates can be unique at each airport. He comments on the differing accounting results of the City of Palo Alto versus the County. He suggests

developing a system for repayment of capital expenditures in which the airport that benefits pays the majority of the costs associated with improvements, and he emphasizes the need to address the problem of poor management.

Commissioner Carpenter states that everything can be considered discriminatory based on the desirability of the location and that he is not uncomfortable with different tiedown rates at different airports.

Commissioners and staff discuss time frames for repayment of capital investment, cost sharing among the airports, and the impact of supply and demand on rates. Mr. Honaker notes that the Department has presented three options for rate increases, with varying amounts of the Outstanding Advance repaid by each option. He states that the Department does not have the authority to waive the Outstanding Advance and suggests that the Commission make a recommendation as to what they feel is appropriate. Mr. Honaker emphasizes that the Department is requesting the Commission's support for moderate rate increases.

Commissioners continue to discuss potential recommendations. Ralph Britton, PAO Association, expresses the opinion that there has been too much emphasis placed on the difficulty of working with the City of Palo Alto. He notes that the City has never enforced the provision of the lease that prohibits revenue from PAO from being used for the other two County Airports and states that he believes the possibility exists to work with the City of Palo Alto as partners. He speaks in support of annual review of rate increases prior to implementation.

On motion of Commissioner Carpenter, seconded by Commissioner Ford, it is ordered on a vote of five to zero, with Commissioner Lenox abstaining, that the PAO Business Plan be accepted and forwarded to the Board of Supervisors through the Housing, Land Use, Environment and Transportation Committee, with a recommendation to incorporate the following:

- 1.) On page 5–15 of the Business Plan, Item No. 2, add "unless another option presents itself".
 - 2.) Approve a one–time rate increase of 7.6 percent and a fuel flowage fee increase of 10 cents per gallon, and order that all increases to rates and fees be reviewed by the Airports Commission and the Board of Supervisors on an annual basis.
4. **Adjourn to a workshop session.**

On motion of Commissioner Carpenter, seconded by the Chairperson, it is unanimously ordered that the meeting be adjourned at 7:30 p.m. to a workshop session, subsequently adjourning to the next regular meeting on December 5, 2006 at 6:00 p.m. in Room 157, County Government Center, 70 West Hedding Street, San Jose.

Respectfully submitted,

JoLene Mittelsteadt
Deputy Clerk