

**SAN BERNARDINO COUNTY AIRPORTS COMMISSION MEETING
APRIL 27, 2017.**

The meeting of the San Bernardino County Airports Commission was called to order at 10:00 a.m. by Commissioner William Smith. Meeting location: Department of Airports, 777 E. Rialto Ave. San Bernardino, Ca 92415.

Commission Members Present:

William Smith
Jim Bagley
Ray Marquez
Roy Cox
Mark Taylor
Bob Cable

Commission Members Absent:

Larry Asmus

Staff Present:

James E. Jenkins, Director of Airports
Terry Stover, Assistant Director
Cyle Woodruff, Operations Manager
Nicole Leyden, Secretary I
Steve Mintle

Department of Airports
Department of Airports
Department of Airports
Department of Airports
Real Estate Services

Visitors Present:

Deana Olivares-Lambert
Steve Lambert
Chuck McCormick
Bob Velker
Jennifer Corona
Chuck & Sharon Stuewe

The 20/20 Network
The 20/20 Network
Mead & Hunt
Chino Development League
Mooney International
Chino Tenants

Pledge of Allegiance

Led by Commissioner Smith.

Report on Posting of Agenda:

Mr. Jenkins stated that the agenda had been posted.

Awards, Guest Introductions and Announcements:

Guests introduced themselves.

Mr. Jenkins announced that Joe Dozier, Maintenance Worker I from Chino Airport, was selected for The Award for Excellence for the Department of Airports. This was based on his dedication and leadership during this past year. There were staff changes around the time of the Chino Airshow last year. The maintenance worker that typically handled the electrical requirements in the show area was off work on medical leave then subsequently transferred to Apple Valley Airport. Without needing to be asked Mr. Dozier stepped-in and took care of all the electrical requirements. Joe then continued to perform well over the course of the year.

Action Item - Approval of Commission Meeting Minutes

A motion was carried by Commissioner Taylor, seconded by Commissioner Cable and passed to approve the commission meeting minutes from March 23, 2017.

Commissioner Reports/Comments

Commissioner Taylor informed us that Mr. Terry Hansen will be giving a presentation on the expanded airspace in Johnson Valley which has Wings credit. This will be at the EAA meeting at Apple Valley Airport May 6 at 9:00AM. Mr. Hansen is trying to educate the local pilot community on what the expanded MOA is going to be and restricted area is going to be. He is also going to speak about military aircraft avoidance.

Commissioner Taylor commented that he has had several people ask him about the Gulfstream Jet parked on the ramp at Apple Valley Airport.

Mr. Stover explained that it belongs to a tenant who uses it for training.

Commissioner Cable shared that the AWOS is up at Cable Airport. There is no frequency yet, but when it is he will get it out to everyone.

Commissioner Marquez apologized for missing the last commission meeting. He shared that he is the Mayor of Chino Hills, so he attends many conferences. He had attended a water conference in San Diego the day of the meeting.

Public Comments

It was asked where the public can view the commission agenda on-line.

Mr. Jenkins informed us that there had been a crash on the website, but we will circle-back and get the commission agenda back on there.

Information Item: Chino Airshow 2017 -- Update

Mr. Jenkins explained that there was a temporary motion injunction against the airshow that was brought to the court by a couple of tenants from Chino Airport which included Yanks Air Museum. There were several other parties that were part of the filing including Flying Tigers, also doing business as San Bernardino County Aviation Development Group, and Zangeneh Aviation, subtenant to Mooney who also have a subtenant, AFT Flight Training Center, whom we are unfamiliar with. There were also one or two other entities named, all under Zangeneh. Zangeneh eventually removed themselves from the lawsuit which left Yanks, Flying Tigers and the other entities and subtenants of Zangeneh. At the beginning of the hearing for temporary injunction which was calendared for last Thursday, the judge indicated to the parties that he was formerly employed by County Counsel of San Bernardino County and had intimate knowledge of lease agreements of the Department of Airports and had previously reviewed license agreements associated with the airshow. The case was requested to be re-calendared. In the last week Yanks has vacated the motion for the temporary injunction against the airshow, so the airshow will move forward this year, but they have not vacated the motion to permanently halt the airshow.

Mr. Jenkins was asked about the lease agreements that the museums have.

Mr. Jenkins stated that both museums have the same lease agreement. They both have the compensation model to the county that was a pre-paid lease. Their lease is pre-paid in the form of development and improvements to the facility. The dollar is the exchange of value that the county recognizes to close and solidify a legal binding agreement. The dollar is the symbolic exchange. The investment for the lease agreement was two million dollars plus from each entity in a prescribed period of time, which is 3-5 years for a development. So they both had to invest about two million dollars for their deal. The investment is the improvement of the property and both have a 9 1/2 acre facility. At the end of the term, which is 20 years, those improvements become the county asset and property. At the end of that term both entities have the opportunity to stay, but pay the county at market rates.

Planes of Fame's lease expires 2019 and Yanks Air Museum's lease expires 2025 and both have a 5 year option.

Mr. Jenkins was asked if there is a stipulation in the tenant leases stating that there will be a 2-3 day airshow and if not, then should future leases include this.

Mr. Jenkins explained that the county's position is that we manage the airport and we have responsibility pursuant to our grant assurances that we will be a promoter for aviation. It will be something that County Council will review, but we do all manner of temporary closures for construction and repaving and we don't stipulate for any of those. All leases already refer to the rules and regulations, Title 7, so if there is a clarification that needs to be made we can do it there.

Director's Reports

Capital Improvement Program

Mr. Jenkins informed us that The Department of Airports had received a 3.9 million dollar grant a year ago for pavement improvements at Chino Airport, specifically northwest ramp, base of the tower ramp, the B-series T- hangars, and other pavement improvements including the L.A. Greens at the base of the tower. That grant is advancing after having some issues with executing acceptance of it. This had to do with the Department of Airports Disadvantaged Business Enterprise Program which had gone stale. This was the airport's plan on how we were going to meet the goals of enjoining disadvantaged businesses to participate in the construction activities associated with that grant. We had to execute an agreement with the consultant to develop what standards and goals and numbers they have. This is based on this county's availability of various contractors that meet the definition of the Disadvantaged Business Enterprise pursuant to the trades that we would be using in our particular project. This will be presented to the Board of Supervisors in June and we expect to start construction in August. This will include the northwest ramp, base of the tower and the B-series hangars north of the tower.

Mr. Woodruff briefed us on current activity at Chino Airport. He plans to have a Board Agenda Item for the pavement project on June 27th, then proceed to get bids for the project.

Kimball Avenue is a similar situation, planning for the July 11th Board Agenda Item to then bid for that project. He is meeting with the Project Management Division next week to go over both of these projects with the new Projects Manager who has been assigned to the Chino Airport.

The Commercial Hangar Complex compressor replacement is tracking with the contractor and they anticipate it being done prior to June 30th. It is a simple replacement of a 40 horse-power compressor with a new up- to -date one.

Mr. Stover briefed us on current activity at Apple Valley Airport. The Board approved us to get bids for new wind locks for hangar doors and the contractor has been selected. Now it goes back to the Board for approval for the award for the project.

The hangar door replacement at the Sheriff's hangar has been completed.

We have no new information on HVAC upgrades for the terminal at Apple Valley Airport.

Staff is scheduled to go out to Twentynine Palms Airport on May 15, 16 & 17 to complete the repairs on the pilot's lounge/office

We are still working with Risk Management regarding what type of reimbursement we will receive for the damage caused by the microburst storm at Needles Airport. We currently have 2 contractors giving bids for replacing the roof on B300.

Mr. Jenkins pointed out that we have several other projects in the background. There is lighting for the Apple Valley Airport mountain range, runway rehabilitation on 18/36, taxiway improvement, drainage improvement, and acquisition of property for drainage. We only need 3 acres, but will have to purchase 18 acres from a private property owner to build storm drain management basins.

Another significant task has been maintaining Baker Airport. We do not own it, but have a lease with the Bureau of Land Management. This is a 10 year lease agreement. To accept Federal Grants you have to have shown that you have maintained the airport for 20 years. With internal resources and state grants we have been able to manage it. We are going through the process where the Bureau of Land Development conveys property to an entity and we are moving forward on that process and hopefully in 2 years Baker Airport will be a property that belongs to the county.

Board of Supervisors Activity

None to report.

Mr. Jenkins pointed out that the process with the Board has changed in the recent past relative to how items get to the board. It changed from Special Projects Management Group reviewing items from all departments and has been dropped down to the group level. Now the group will be managing their submissions to the Clerk of the Board. The Community Services Group is where our department resides along with five other departments. This year it will be even more streamlined because we are preparing our items and having them reviewed in advance.

Our department doesn't have a lot of activity with the Board because the bulk of our business is able to be transacted through the authorities that we already have.

Real Estate

Mr. Mintel briefed us on some current real estate activity. At this time of the year a lot of our short term leases have come up for renewal. The S.O.P. closed on parcel B305 and we only received one proposal, which was from Chino Development League. It was forwarded for review and Mr. Mintel thinks that we will move forward on it.

Mr. Jenkins explained that Chino Airport and Apple Valley have done hangar inspections and now Chino will be going through its second round. We also have been diligently managing our delinquencies and since we have changed our process we don't have any at Chino Airport. As aviation management we are looking to promote aviation and we are here to house flyable aircraft. When building an aircraft there is a point when a hangar is required, but before that point it can be housed somewhere else. If an aircraft is not flying then they are not supporting the economic stability or base of the airport from tenants that offer business services there. We make money on use of property, or fuel that is sold at the airport and a few other minor areas and if a tenant is not paying for the facility then we have to expend revenue to get the property back. If the aircraft in the hangar is not flying and not buying fuel, and also without an annual, then they are not supporting those businesses that offer avionics services and A&P services. We expect that the tenants on the airport will contribute to the local economy of the airport and they do that by flying their aircraft. If they are not flying, then at least keeping their aircraft in annual and use the services that are on the airport. When those things don't happen it becomes difficult, especially when you have a waiting list like Chino Airport has, with 81 people on it. Our goal is to have our facilities occupied by people who are flying. If an aircraft is no longer in the hangar and it is full of cars the tenant is given a termination notice. If a homebuilt aircraft has obviously not been worked on then they are given 120 days to prove activity, if no proof is given then they will get a termination notice. Since these decisions are being made the elected side may hear from the public about how we are being unfair, but we are following guidelines. The FAA has specific guidelines that the hangar be used for the aviation purpose intended. The next hurdle will be questioning paying tenants on why their airplane is not being flown. The commissioners will be asked to comment about that and we are hopeful to get support from them.

Also, due to recent events and law suits we also have begun to take a closer look on how our facilities are being managed internally and how our facilities are being used and managed by others. Some that have lease agreements perhaps haven't disclosed to us that they have sub-tenants and therefore we are not receiving our share of the revenue.

Mr. Jenkins continued saying there is a simple concept on whether or not a company needs to be on an airport. We ask if the company requires people to fly in to obtain their services or if the company requires the runway to do business. It may be convenient to be on an airport, but it may not be required. The region is telling us what to do as airport sponsors and we have a responsibility to do those things.

Mr. Stover added that people get very creative on ways to rent a hangar, giving N#'s and showing designs of what they plan to build, then a year after moving in they only have boxes of belongings in the hangar. We just recently gave termination notices to 3 tenants at Apple Valley Airport due to no evidence of an aircraft in the hangar.

Mr. Jenkins was asked about subleases. He shared that in 2015 we published that we will be pursuing sublease monies. The county has the right to collect a fee or a percentage of any amount of money that a party is subleasing their facilities to others. In some cases it's 10, 50, or 75% above the increment. It all depends on the type of facility that the party is leasing from the county or their ability to negotiate based on the fact that their business model requires them to have facilities available for subleasing. These are all specific to each specific lease or negotiations relative to as to why some leases may have different rates. In the past the county has not paid close attention to that so we are now having to enforce it, but it's a small number of tenants that we are having to manage. Some tenants have complied and supplied sublease agreements and/or they negotiated with County Council for specific language for sublease agreements. Others have not or have not been truthful about what their sublease agreements are with the people that they are doing business with.

In regards to lease compliance the county has one tenant and that is the leaseholder. The county will deal with and manage that party. It is that person's responsibility to manage their leasehold and make sure they comply if they sublease.

Financial Report

Mr. Jenkins said that we are at 80% of the year. We are at 56% of our expenditures and we have earned 86% revenue.

Apple Valley Airport is budgeted separate from the other airports and it has a tax base. The Department of Airports staffs the airport, but County Service Area 60 reimburses us. This year we have not taken a reimbursement for our staff costs so we are showing total expenditures for the year is 26%. The expenditures are low because we haven't done a transfer of funds. There have been several other things that have come up for expenses including a hangar door, which we didn't budget for, but which we do expect an insurance reimbursement for.

Needles Airport is at 179% of expenditures for the year and it's earned 87% of its revenue. Due to the microburst we have expenditures for our staff traveling there and repairs from it. We expect insurance reimbursements for that also.

Baker has no revenue, so it's just an expense, but we budget the expenses to maintain the facility.

We are budgeting more revenue this cycle based on a model that we are required to manage. Typically, we would budget 85% of our expected revenue and then send the other 15% to reserves. We are now being required to budget 93-94% of our revenue. The government accounting manages with a philosophy for governmental entities and thought that we were putting too much monies into the reserves and believes that is not the way that general fund departments operate. We don't take money from the general fund, but we reside in the general fund. We operate on our revenues, so rather than showing money going to reserves we have to take money out of reserves to do a project which we are being asked to budget up front for. This will not change the way that we manage and if we don't make money then we won't spend

money and we are also not required to spend money just because we budget it.

Monthly Report

Mr. Woodruff shared some of his monthly report. He attended a table-top exercise for the airport emergency plan at Ontario Airport. They had several different agencies including fire, police and utility agencies. They did a simulated incident and talked through it including what they would do, what hospitals they would use and where they would be setting up a triage. It is a FAA requirement for Part 139 airports, which do not apply to our airports. It was a good learning experience. During a major incident Chino may be affected because it is so close to Ontario.

Mr. Woodruff informed us that Chino tenant, Mooney International, reported concerns of mold in their facility. An industrial hygienist did air sample testing inside and out and physical sampling. The results came back negative or in the normal range.

Staff has been busy preparing for the Chino Airshow. Hangar inspections will be done after the airshow. We did the T-hangars last year, this time it will be the 3rd party managers, ones managing their own facility and have their own tenants.

Mr. Stover shared some of his monthly report. He said that staff had met with Kevin Johnson, the new Maintenance Worker I who was hired for Apple Valley Airport. That has since fallen through, so Mr. Johnson will not be working at Apple Valley Airport. Mr. Jenkins has authorized a new recruitment for this position.

We have met with Susan Newman-Harrison of Harrison Airshows regarding her marketing proposal. She has already begun working on advertisement for the airshow. We are anticipating the approval from the Board of Supervisors at their next meeting. We have started earlier than we have in the past getting things going. Mr. Woodruff will be taking things over when Mr. Stover retires in June so we are trying to get as much done ahead of time as possible to make it an easier transition for him.

Mr. Stover met with Keith Gardner, the Community Development Director for the City of Twentynine Palms, to discuss the possibility of holding special events at Twentynine Palms Airport. He mentioned possibly putting on a music concert and Mr. Stover said that if he could turn that into an airfare or airshow that we would be more receptive to it.

A question was asked about Mr. Stover's meeting with an appraiser regarding Apple Valley Airport. Mr. Jenkins explained that the county has a practice of reviewing one third of the county fee schedules every year. They review the fees that departments charge for services to determine if they need to be updated in any way. In the past 4 years this department has modified language, removed outdated fees, consolidated fees, but very little movement in the actual fee structure. The other requirement is that a certain number of our leases require appraisals on years ending in 0 or 5. We were supposed to have had an appraisal done in 2015. Real Estate Services was not able to manage that at that time. So, now they are looking at the ones ending in 5 to see if there needs to be an adjustment of base, not the adjustment that is built into the agreement (not a CIP or annual adjustment), but base value. We also need to have our rates looked at so that Mr. Mintle is able to have a place to start negotiations with parties relative to values of our facilities. We have classifications of property that are appraisal based and some that are market based, which includes T-Hangars. We also have rates for those who want to develop on the airport. Apple Valley Airport and Chino Airport have appraisal studies under way right now. We expect to have these values by the end of the summer. Then we will compare them to our fee schedule to see if we need to make any adjustments and if so then bring them to the Board for consideration. We don't expect a major change, but what we will get out of this from a separate study is what we charge for our water

and sewer services for those facilities that are not metered. We intend to have meters installed for most of our stakeholder tenants at Chino Airport. We currently have one meter on the airport which we pay the City of Chino for and the businesses pay us a flat rate of \$94 a month for water & sewer combined. That rate will be looked at so that it's based on a number of factors including the number of plumbing fixtures, number of employees, amount of traffic. So we can effectively charge rates to those business that require a formula to be applied to.

Chino Airport Operations

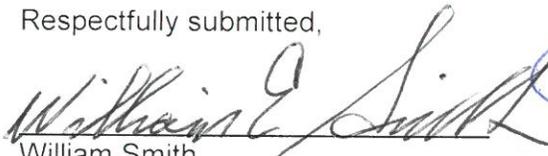
Mr. Jenkins informed us that the Chino operations numbers are cyclic and are going back to numbers that we saw in 2013. They average between 165,000 and 175,000. Last year we were up to 177,000, but this year it looks like it's cycling down. Our fuel flow numbers relative to the amount of fuel that is being used on our airports are on a slight uptick, but the numbers of gallons of fuel being sold remains the same. These numbers could be attributed to the training operations that are happening, or recent weather. We have 2 active flight schools with the possibility of having another one.

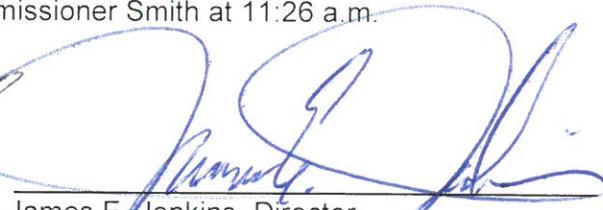
Date, Time and Place of Next Meeting

The next meeting will be held on Thursday, May 25, 2017 at 10:00 a.m. at Department of Airports, 777 E. Rialto Ave. San Bernardino, Ca 92415

Adjournment: Meeting adjourned by Commissioner Smith at 11:26 a.m.

Respectfully submitted,


William Smith
Airports Commission


James E. Jenkins, Director
Department of Airports


Nicole Leyden, Secretary I
Department of Airports