



LEIGH FISHER ASSOCIATES
A Division of Jacobs Consultancy Inc.

in association with



GCW Consulting

Final Report

Management and Operations Assessment Montgomery Field and Brown Field Airports

Prepared for

The City of San Diego
San Diego, California



May 4, 2006



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EXECUTIVE SUMMARY

In order of importance, the recommended management actions that would improve the management and operational efficiency of the City of San Diego, Airports Division, which operates Montgomery Field and Brown Field (the Airports), are as follows:

- 1. Devolve lease development to Airport management.** Airport management business decision-making is hindered by a series of constraints, principally as a result of the need for the City to approve certain business decisions, such as lease approvals. The Airports Director should be empowered to negotiate and approve leases, within a business planning and accountability framework agreed upon with the City. It is important that decision-making authority and chain of command is explained to and understood by tenants to help facilitate productive discussions.
- 2. Define the business planning process.** It is important that the whole planning and lease process is clearly defined and communicated to tenants. The Airports Division should work with the City to standardize a lease framework and charging methodology that is consistent with the Division's business objectives. This will allow the Division to respond to requests faster and objectively evaluate bids in a competitive request for proposals (RFP) lease process. Although the resulting decisions may not command universal agreement from tenants, an open process with clear parameters should at least ensure greater trust and understanding and provide more effective engagement between management and tenants.
- 3. Introduce a commercial management position.** Parallel with empowering Airport management to make leasing and other business decisions, the Airports Division would benefit from creating a commercial manager role that would be responsible for business development, customer relationship and promotional activities for the Airports.
- 4. Implement facility development planning to support business objectives.** In the past, the Federal Aviation Administration (FAA) has raised concerns regarding airport non-aeronautical development at Brown Field. Immediate planning needs include (a) presenting FAA with a plan for Brown Field, such as an Airport Land Use and Facilities Plan, to facilitate aeronautical development consistent with FAA input and (b) confirm the types of aeronautical use for the land parcels occupied by month-to-month leases at Montgomery Field. Additionally, Airport management should interact with the FAA to obtain the understanding that nonaeronautical facility development at Brown Field, provided it does not use or encroach upon required aeronautical space, is desirable in order to operate the Airport in a financially responsible manner.
- 5. Develop variable lease and land use zoning strategy.** It is important that, as new leases are developed, the Airports Division assess a market-based lease rate for the land, services, and facilities the leases would provide. However, based on location and intended use (e.g., corporate versus recreation or training general

aviation), some areas of the Airports would support higher market valuations than others. We would recommend that the Airports Division consider developing a zone-based land use strategy based on the different intended types of aeronautical use, specifically:

- General aviation commercial—fixed base operator (FBO), aircraft storage, specialty aviation
- General aviation non-commercial—recreational and training aircraft storage

Using appraisal-based valuation according to the intended type of aviation use, the City could optimize aviation lease revenue while ensuring that the Airports can continue to support a mix of corporate, business, and private aviation activity.

- 6. Maintain community management activities.** The Airports Division is recognized as being attentive to community needs. Given existing and expected residential and commercial growth in San Diego, continued proactive community interaction and engagement to identify and manage responses to encroachment should continue to be pursued to secure the long-term viability of the Airports.
- 7. Increase tenant communication.** The Airports Division currently manages tenant issues through the Airports Advisory Council. However, there is an identified need to improve basic communications with the Airports' tenants, using tools such as mailed newsletters and Airport staff and tenant directories.
- 8. Prepare a Strategic Business Plan.** The opportunity exists to restate the central business goals of the Airports Division that would act as a road map for the future and enhance the business focus within the Division. We would recommend that this be tied into an annual business planning process that sets annual priorities, budgets, and action plans consistent with the agreed long term objectives. The strategic planning process would also provide an opportunity for the City to devolve greater decision-making authority to the Airports Division within the framework of an agreed overall plan.

A. INTRODUCTION

Leigh Fisher Associates, A Division of Jacobs Consultancy Inc. (LFA), was commissioned by the City of San Diego to undertake a management and operations assessment of the Airports Division. The scope of work includes a review of the Airports Division organization, operations, financial standing, and business strategy.

To ensure that this analysis is as comprehensive as possible, extensive consultation has been undertaken with Airports Division staff, Airport tenants, and community stakeholders.

This report is organized as follows:

- B. Definition of Objectives and Review of Operations**—summarizes Airport management’s strategic goals and specific business objectives in support of the business strategy. A strengths, weaknesses, opportunities, and threats (SWOT) analysis of the internal and external operating environment is included as well as a summary of the key market and economic issues and challenges facing the Division
- C. Administrative Assessment**—summarizes the findings related to the development and evaluation of Airport management structures, procedures, and staffing.
- D. Operational Review**—summarizes the results from an analysis of operational and maintenance functions to identify opportunities for performance improvement.
- E. Financial Audit**—summarizes the Airports’ financial standing and identification of potential risks and opportunities for improvement. This section also includes findings from the airport performance benchmarking, which summarizes results and conclusions of comparative analyses of cost and revenue performance at selected general aviation airports.
- F. Business Development**—summarizes key business issues and provides an action plan to achieve business objectives.

B. DEFINITION OF OBJECTIVES AND REVIEW OF OPERATIONS

This section summarizes management goals and business objectives, the SWOT analysis, customer service issues, aviation market issues, and economic issues.

Management Goals and Business Objectives

Management goals and business objectives for the Airport can be summarized as follows and are consistent with the recommendations presented in the Executive Summary.

Business Development

Goals

1. Operate the Airports as a business. As an Enterprise Division of the City of San Diego, the Airports are a financially self sufficient part of the General Services Administration (GSA). At present, the Airports Division has positive net revenues, with Montgomery Field having positive net revenues and Brown Field having slightly negative net revenues.
2. Facilitate future growth in general aviation activity.
3. Position the Airports to respond to future opportunities in the San Diego area.

Objectives

1. Improve lease and business development process by providing the Airports Director with the power to develop leases.
2. Improve airport business development function, particularly through a Commercial Manager function, and by lease development and airport marketing.
3. Develop a range of aeronautical leases to replace existing monthly leases, using a public RFP process, for (a) public use hangars, (b) an FBO, and (c) Specialized Aviation Service Operators (SASOs).
4. Develop nonaeronautical leases to enhance revenues, once aeronautical needs are met and the FAA confirms acceptability.

Planning Goals

Goal

1. Improve the Airport Division's relationship with the FAA.
2. Integrate facility planning with business development needs.

Objective

1. Develop Airport plans, in particular an Airport Land Use and Facilities Plan for Brown Field, satisfying FAA's aeronautical development recommendations.

Customer Service

Goals

1. Respond to concerns as to how the Airports have been managed in the past, including issues relating to lease management.
2. Develop better relationships with tenants and stakeholders, including a renewed sense of communication and cooperation with a plan that has the support of Airport stakeholders.
3. GSA management observed that prior airport management were not open with tenants or FAA and as such had lost the trust of both; it was important to ensure that a more open management approach is carried forward.

Objectives

1. Improve tenant and community interaction using guidelines presented in the Executive Summary.

Strengths, Weaknesses, Opportunities, and Threats Analysis

This section summarizes strengths, weaknesses, opportunities, and threats for each Airport and for the Airports System/Division as a whole. The analysis allows us to consider the internal strengths (S) and weakness (W) of the Airports and set them in the context of the external opportunities (O) and threats (T) facing the Airports. This in turn provides a basis later to match resources and capabilities to the competitive environment in which airports operate.

Montgomery Field

Strengths	Weaknesses
<ol style="list-style-type: none"> 1. Central location and road links (I-8, I-805, Hwy 163) 2. Long-established presence 3. Extensive safety and security role—police, fire, sheriff 4. Availability for development of aviation property currently on month-to-month leases 	<ol style="list-style-type: none"> 1. Lack of key facilities: <ul style="list-style-type: none"> • Quality FBO terminal • Limited hangar space 2. Limited undeveloped space 3. Airfield constraints with 3,400 ft effective runway landing length (approx. 1,200 ft displaced threshold) and 20,000 lb landed weight limitation 4. Safety challenges with (a) complex three-runway airfield and (b) mixed helicopter/fixed wing operations
Opportunities	Threats
<ol style="list-style-type: none"> 1. Consolidated aviation business development <ul style="list-style-type: none"> • Quality corporate FBO • Aircraft parking—corporate and personal • Other corporate aviation development • Helicopter aviation 2. Public use aircraft storage area 	<ol style="list-style-type: none"> 1. Commercial business and residential encroachment 2. Significant portion of Airport land assigned for environmental issues, particularly vernal pools

Brown Field

Strengths	Weaknesses
<ol style="list-style-type: none"> 1. Significant aeronautical facility— 8,000 ft runway 2. 890 acres total space and approximately 60 acres of stressed concrete ramp space 3. Strong local economic growth 4. Proximity to Mexico border crossings and I-805, Hwy 905, and future Hwy 125 	<ol style="list-style-type: none"> 1. Airspace limitations with constrained approach from the East and lack of instrument landing system (ILS) 2. Poor facility appearance and surrounding environment 3. Lack of aeronautical and other development, including outdated main terminal building. 4. Absence of a recent land use and development plan making development hard to implement and obtain FAA approval 5. Poor aeronautical facility pricing power.
Opportunities	Threats
<ol style="list-style-type: none"> 1. FBO development and corporate aircraft basing 2. Light industrial and aircraft manufacturing 3. Hotel and other nonaeronautical development (conditional on FAA approval) 4. Long-term acceptance of precision Global Positioning System (GPS) approaches may improve acceptability to corporate aviation 	<ol style="list-style-type: none"> 1. Off-Airport housing development 2. Lack of aeronautical and other development makes Airport prey to commercial and residential developers

Airport System

Strengths	Weaknesses
1. Location	1. Leasing process and City interaction 2. Business Development 3. Communication
Opportunities	Threats
1. Balanced system growth 2. Privatization	1. Surrounding community demands 2. Litigation 3. Privatization

Customer Service Issues

Major customer service issues, in an estimated order of importance, include:

1. Staff of both Airports does not appear to have the authority to make commercial (principally leasing) decisions.
2. There is limited public hangar space and no aircraft washracks at both Airports.
3. There is limited interaction between staff of both Airports and tenants.
4. Basic Airport information has not been made available, including:
 - No Airport newsletter circulation
 - Outdated noise rule chart for pilots
 - Website used to be poor, now updated
 - Staff and tenant directory
 - Minimum standards and development standards

Aviation Market Issues

Major aviation market issues affecting the Airports include:

Montgomery Field

1. Montgomery Field benefits from a central geographic location and is the closest general aviation airport—about 8 miles—from downtown San Diego, with good access to regional population and business centers.
2. Montgomery Field is limited from operating aircraft larger than light corporate aircraft make/models, such as the Beechcraft 1900 and Cessna Citation, as a result of a 20,000-pound maximum landed weight limitation and an approximately 3,400-foot takeoff distance (actual maximum runway length, applicable for landings only, is 4,600 feet). Notwithstanding these limitations, the Airport is a valuable regional corporate aviation destination.
3. Recent difficulties developing and negotiating aeronautical leases, plus the absence of a cohesive aeronautical or airside business development plan at Montgomery Field (many leases are on a month-to-month basis), has restricted business development at the Airport. There has been no significant review of what the overall aeronautical development should look like, and the current airfield frontage is underutilized.
4. Aircraft storage. There is a shortage of hangars both at Montgomery Field and in the San Diego area for both corporate and personal general aviation uses. Additionally, there are no available public tie-down spaces at Montgomery Field. Input from Airport users, as well as forecasts of corporate aviation activity, indicate that demand for corporate aviation storage could reasonably be expected to grow. Additionally, production of very light jets, a more cost-effective, lower capacity business jet, is expected to increase demand for business jet storage, with between 1,200 and about 4,500 estimated to be produced nationally in the next 10 years or so.
5. As stated in the operational section, there is a significant portion of Montgomery Field that is designated as an environmentally sensitive area, principally containing vernal pools. The 17-acre lot to the east of the hotel is designated as such, but given its central location, consideration should be given to making an environmental acquisition elsewhere and using this land for aeronautical purposes.

Brown Field

1. Brown Field is located about 19 miles from downtown San Diego and as such is less central. Brown Field's extensive available leaseable space, balanced by its less optimal location (as compared with Montgomery Field) makes it a good candidate for corporate aircraft support or aircraft manufacturing activity.

2. Aircraft storage. As discussed earlier, there is a shortage of corporate and private general aviation hangars in the San Diego area, and as such, there is unfulfilled aeronautical lease demand that could be fulfilled at Brown Field.
3. Instrument Landing System (ILS). While the implementation of a precision Global Positioning System (GPS) approach in mid-2006 is positive, reliance on this new system, particularly by corporate users, may be limited in the short-term, as such users would prefer to use an ILS. An ILS would be beneficial for development of significant corporate aircraft basing and longer-term development of corporate activity, with caveats being (1) that it would have to be installed for approaches from the west, as there are terrain distractions affecting approaches from the east and (2) FAA may not provide financial support for its installation.
4. Air cargo. It is not considered likely that air carrier air cargo service would be a viable service development candidate for the Airport, principally owing to known community opposition in the past. However, limited air taxi cargo feeder service could be a useful service addition that would not materially affect the nature of aircraft operations at the Airport.

Airports System

1. The available storage space and airfield capacity strongly suggests that Brown Field is a better contender than Montgomery Field to meet demand for larger corporate aircraft and for major corporate aircraft basing.
2. Similarly, from an airport system perspective, the greater available leaseable space at Brown Field, plus the FAA's recommendation that aeronautical activity be increased at Brown Field, may provide a way to offer competitive leases to new tenants, or to existing Montgomery Field tenants for whom a move to Brown Field would not significantly affect their business.

Economic Issues

The surrounding economy has the following constraints on Airport development.

1. **Montgomery Field.** Montgomery Field is the closest general aviation airport to downtown San Diego and is surrounded by significant economic and business development. This activity impacts the Airport in the following ways:
 - Constrains aeronautical activity. As discussed earlier, Airport management has capped aircraft landed weight to respond to community concerns regarding aircraft operations.
 - Increases demand for corporate activity.
 - Encourages interaction with local business community owing to through-the-fence arrangements on the north side of the Airport.
2. **Brown Field.** Brown Field is further from downtown San Diego and currently has a lower level of surrounding commercial and housing development; however this development is expected to grow in the future, impacting the Airport in the following ways:
 - Increases the need for community planning and interaction to respond to growing community pressures.
 - Increases future demand for corporate activity as well as for on-Airport commercial leases owing to relatively higher reported levels of local business growth.

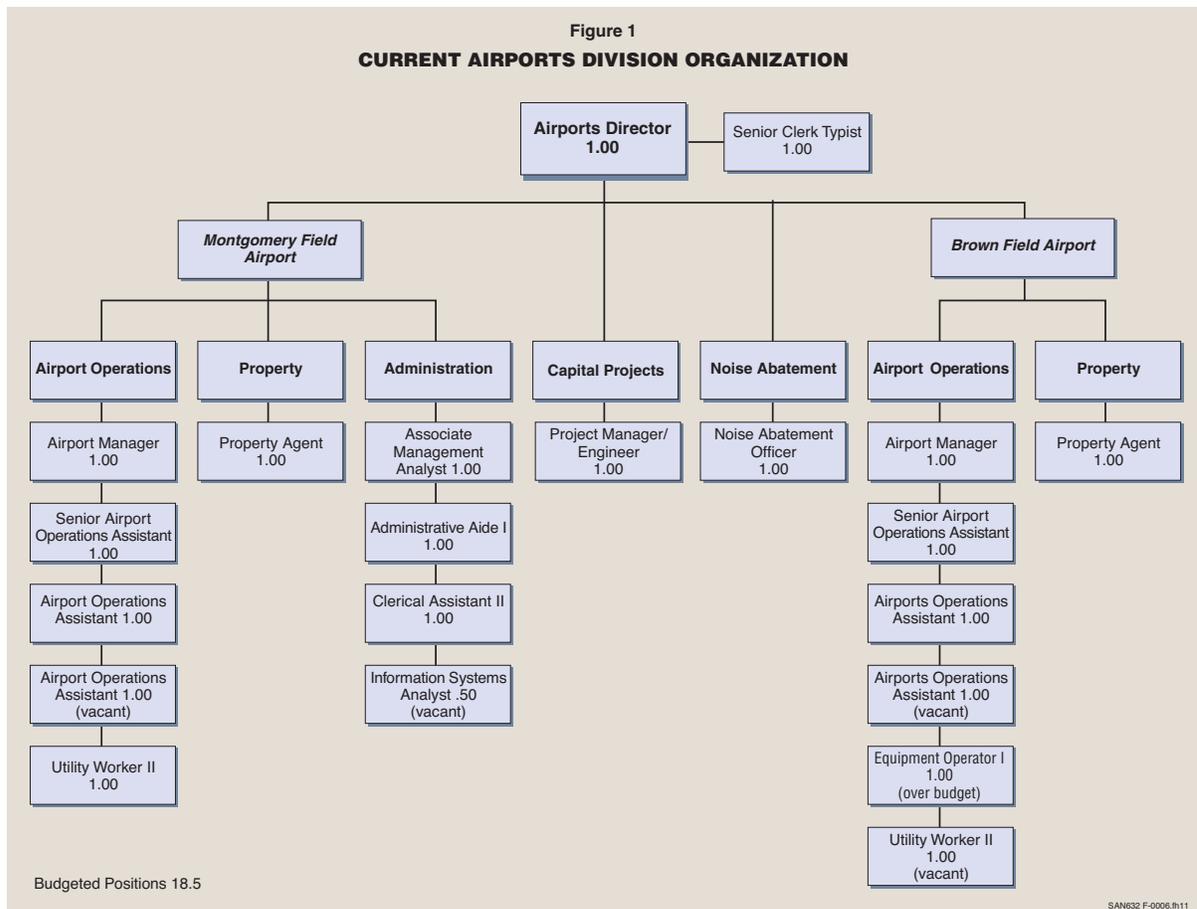
C. ADMINISTRATIVE ASSESSMENT

The purpose of this section is to (1) summarize our review of the existing organizational structure, (2) identify strengths of the existing structure, and (3) discuss issues and opportunities to be addressed in formulating organizational alternatives that can deliver performance improvement.

In addition, we will consider the core objectives of the Airports Division and address potential strategies that can be considered to improve performance. The observations presented are based on an independent assessment of the organization as well as interviews held with Airports Division staff and stakeholders.

Existing Organization

The existing Airports Division organization chart is presented on Figure 1. The graphic depicts the official organization structure and does not necessarily reflect the actual reporting relationships.



The current organization is under review and recent changes in personnel have led to a number of interim appointees. For the purposes of this assessment, we will focus on the positions, reporting roles, and responsibilities, although the recent changes in the Airports Division provide an opportunity for implementing change.

The organization structure comprises the following functions and positions:

Management

- **Airports Director**—responsible for overseeing and managing the Airport System. Reports to the Director of the General Services Administration.

Operations

A common structure exists at Montgomery Field and Brown Field as follows:

- **Airport Manager**—responsible for overall airport operations, general operational duties, and assistance in airport planning and capital improvement projects.
- **Senior Airport Operations**—general operations duties, planning, and supervision.
- **Airport Operations Assistant**—general operations, collection of landing fees, and minor maintenance duties
- **Equipment Operator I**—specialist position at Brown Field for operation of certain categories of equipment and related work.
- **Utility Worker**—variety of maintenance, construction, and operating tasks (currently vacant at Brown Field).

Noise Abatement

- **Noise Abatement Officer**—Develop and administer airport noise abatement program, including noise modeling and analysis. Also attends meetings with local community groups.

Property

- **Property Agents for Brown Field and Montgomery Field**—responsible for negotiation and preparation of tenant leases.

Capital Projects

- **Project Manager**—a recent appointment responsible for airport capital projects and input into Montgomery Field and Brown Field Master Plans.

Administration

- **Senior Clerk Typist**—personal assistant to the Airports Director, responsible for clerical work and supervision.
- **Associate Management Analyst**—responsible for financial data analysis, current Year Monitoring Report, and budget preparation.
- **Administration Aide I**—responsible for Accounts Receivable, Accounts Payable, and purchasing budgets and administration.
- **Clerical Assistant II**—responsible for Payroll and other general clerical duties.
- **Information Systems Analyst (Part-Time)**—currently vacant.

A total of 18.50 positions have been budgeted for, although at the time of this writing, total staff number 17. There are various positions that are currently vacant, including:

- Montgomery Field and Brown Field Airport Operations Assistant
- Brown Field Utility Worker II
- Information Systems Analyst (part-time position)

Due to the culture of adaptability within the Airports Division, it is apparent that the vacancies have not hindered the operational service at each Airport, although management has identified that additional ground maintenance resources (from the vacant Montgomery Field and Brown Field Utility Worker II positions) are considered a priority.

SWOT Analysis

We have undertaken a SWOT analysis of the Airports Division organization based on interviews with staff, tenants, and stakeholders as well as our own observations. The findings are presented in the table below.

Strengths	Weaknesses
<p>Experienced and respected operations team</p> <p>Culture of adaptability ensures current vacancies do not affect performance</p> <p>Common desire for renewed purpose</p> <p>Airport Advisory Committee (AAC) user forum</p>	<p>Lack of decision-making authority</p> <p>Accountability within the City for the Airports Division is not clear following recent changes in City Divisional reporting</p> <p>Business development</p> <p>Insufficient Airport planning</p> <p>Central mission of the Division is unclear</p> <p>Tenant communication</p>
Opportunities	Threats
<p>New Airports Director</p> <p>City re-organization empowers Airports Division</p>	<p>City indecision prevents meaningful change</p> <p>City re-organization delays improvement planning</p>

Based on the analysis, we will consider the following issues in the development of recommendations of revisions to the organization structure.

- Decision-making and City Accountability
- Strategic Vision
- Personality Driven Organization
- Functional Dislocation
- Communication
- Business Development
- Accountability
- Role of the Airport Advisory Committee

Decision-Making and City Accountability

It is apparent from discussions with stakeholders that a common criticism leveled at Airport management is the lack of decision-making ability. Many examples were quoted by tenants of outline agreements reached at a local level that were subsequently rescinded by management. This has created a climate of distrust between tenants and Airport management, which has improved with recent management changes; however, to large extent, this distrust remains.

It is apparent that a standard policy framework has not been set by the City for management to enact and this is compounded by a confusion in decision-making process and accountability, which ultimately means that there is a paralysis of decision-making in the Airports Division.

Although the organization chart sets out the general chain of command within the Airports Division, there would appear to be a general lack of accountability for the Division as a whole within the wider City organization. That is not to say that the Division does not report its activities, but rather that there is no clear line of authority for final decision-making, which is central to many of the issues faced by the Division.

While it is not the purpose of this review to address the internal City processes, it is clear that in order for the Airports Division to function more effectively, greater autonomy needs to be established so that, as a minimum, rudimentary decisions can be made quickly for the benefit of users and tenants.

Strategic Vision

Although numerous mission statements were uncovered during the review, there is a lack of common understanding and appreciation of the central purpose of the Airports Division among staff and stakeholders. This lack of understanding restricts the ability of management to plan and implement change and constrains the decision-making process. A clearer statement of purpose would enable the Airports Director to be more active in setting a coordinated vision for the Airports and in turn facilitate more specific and coordinated planning and delivery.

Personality Driven Organization

The Airports Division to a large extent could be described as a personality driven organization. That is to say the Division's performance has largely been characterized by the personalities within it rather than through a clear definition of roles, responsibilities, and accountability. While this does not necessarily impede performance, in considering future opportunities and succession issues, it is important that the organization is able to function effectively regardless of the individuals involved, rather than because of them. It recognition of this, it is therefore important to ensure that the current job classifications and salary scales are sufficient to attract a similar caliber of operational staff in the future and so facilitate continued operational efficiency.

Functional Dislocation

In some cases, functions seem to be illogically located in the organizational structure, which prevents a clear delegation of responsibility and effective organizational accountability. Examples include:

- **Property**—There is no clear line of communication between operations and property and no line of reporting to the Airport Manager. Property was until recently considered a general City function, rather than a specific Airport function, and the current organization to some extent maintains this distinction. This means that the role of the Airport Manager is restricted to mainly an operational position. In addition, the location of the Brown Field property agent at Montgomery Field does not foster effective local tenant communication.
- **Administration**—The organizational chart shows this as a Montgomery Field function rather than a central Divisional resource. While this is largely due to its geographic location, some need for greater administration support at Brown Field was noted. Additionally, Property has no formal administration support and therefore has a tendency to rely on City resources, which restricts the ability to foster on-site tenant relationships. A clear requirement for clerical support was identified for the property agents. It is also apparent that the administrative staff need a clearer reporting line to ensure they are always used in the most productive way.

Communication

A key issue raised throughout the consultation was communication. The Division has a poor track record in regular communication with its tenants and formal channels had, until recently, all but broken down. In addition to improved dialogue with tenants, a number of standard business organization concepts, such as establishing a Business Directory and regular updating of departure and arrival charts for noise abatement purposes, were identified as potentially being beneficial.

Business Development

Another common criticism of the Airports Division is that it does not actively pursue new business development opportunities. It is apparent that within the current organization, there is no specific business development/commercial function and the Division has no particular focus on commercial development, aside from lease renewal, which is essentially driven by City policy and legal process rather than commercial awareness. All lease issues are handled by the Property Agents, who do not have a remit to proactively seek new business opportunities. Furthermore, since leasing is handled separately at Montgomery Field and Brown Field, there is no coordinated business response to lease issues, which creates the potential for an inconsistency in approach.

Role of the Airport Advisory Committee

The Airport Advisory Committee (AAC) plays an important role at the Airports and represents the views of tenants and stakeholders. While it is not formally within the

organizational structure, its members are active in preparing material and thoughts for discussion with management. A monthly meeting is held that is attended by Airport management and it is clear that management is keen to maintain an active dialogue with the AAC and is increasingly receptive to the ideas generated by the AAC.

Organizational Benchmarking

Information on staffing, salaries, and organization was received from the following airports:

- Buchanan Field (Concord)
- Chino Airport
- City of Mesa, Falcon Field Airport
- Contra Costa County Airports Division – Byron Airport
- Port of Portland, Hillsboro Airport
- Scottsdale Airport

In reviewing the information provided, it is important to recognize that each airport has its own unique characteristics and that there is no standard template or conclusion that can be drawn. The purpose of the benchmarking is to identify whether there are organizational arrangements or lessons that might be used and tailored for the Airports Division.

Staffing

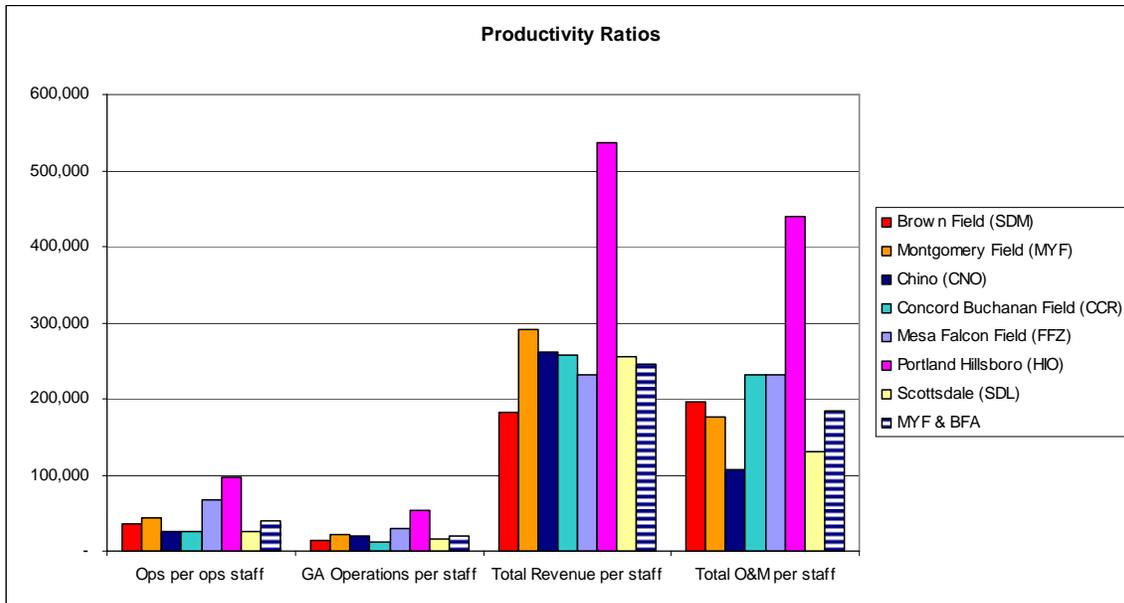
Figure 2 summarizes key staffing ratios levels at the reference airports and compares them to the Airports Division both at the individual airport and aggregate level. The ratios provide a measure of overall Divisional productivity.

The analysis shows that with the exception of Hillsboro Airport (Portland), the overall staffing at Brown Field and Montgomery Field would appear to be in line with the benchmark group. The ratios for Hillsboro are somewhat misleading in that the General Aviation Division handles three airports and that several staff serve not only Hillsboro but also Troutdale and Mulino. Taken at the aggregate level for the three airports, the productivity appears more in line with the other airports in the benchmark group.

If we consider operational staff separately from and administrative and executive staff, a similar picture emerges, suggesting that the Division is not unreasonably overstaffed. That said, however, there is plainly scope for improvement.

We conclude that, at the aggregate level, the current Division staffing level of 17 appears reasonable.

Figure 2
KEY STAFFING RATIOS
 Brown Field, Montgomery Field, and Comparative Airports



Salaries

Staff cost data were not available for all the benchmark airports, which would have allowed an assessment of the salary scales applied within the Airports Division. However, our comparison suggests that labor costs per employee appear at Brown Field and Montgomery Field to be significantly below those at Buchanan Field (Concord).

Organization

A review of the organization charts at the benchmark airports reveals a number of common themes:

- The airports tend to organize on functional rather than geographic lines. Although operational staff tends to be assigned by specific airport, areas such as customer and community relations, leasing, and business development are handled centrally.
- Tenant and property issues tend to be functionally located with business development and planning initiatives.
- There is generally cross-functional reporting to a single airports director or manager.

- Fiscal and administrative support tends to report centrally with often multi-function responsibilities.
- None of the benchmark group assigns a property manager for each individual airport.

In considering the relevance of this to the Airports Division, we note the following:

- A stronger alignment of personnel by function as opposed to geographic location could be considered.
- The current organization has no specific business development / commercial function unlike certain other peer airports.
- Aside from operations, other functions can reasonably be considered as common to both Airports with no demarcation by Airport required.

Performance Enhancement—Strategic Business Planning

In considering the options for enhancing Divisional performance, a fundamental backdrop is that the Division needs to embrace a clear purpose so that it is able to deliver effective decision-making for its customers.

The current organization is, to some extent, overly characterized by the personalities of the individuals concerned rather than a logical structure that optimizes performance. Recent upheaval in the Division has created a unique opportunity for the City to reconsider the long-term role and goals for the Division.

The current Council Policy (June 26, 1995) for the Airports Division states the following eight objectives:

1. Maintain a safe and operationally reliable airport system in conformance with all applicable federal, state, and local laws
2. Maintain the Airports Division as self sufficient, economically viable enterprise with no need for City general fund support
3. Maintain the Brown and Montgomery Fields as integral components of the Regional and National Air Transportation Systems
4. Maintain and enhance the Brown and Montgomery Fields as community assets while minimizing the negative impacts of their operations
5. Involve the Airports Advisory Committee, users, citizens, and other various beneficiaries in the operation, utilization, and development of the Airports

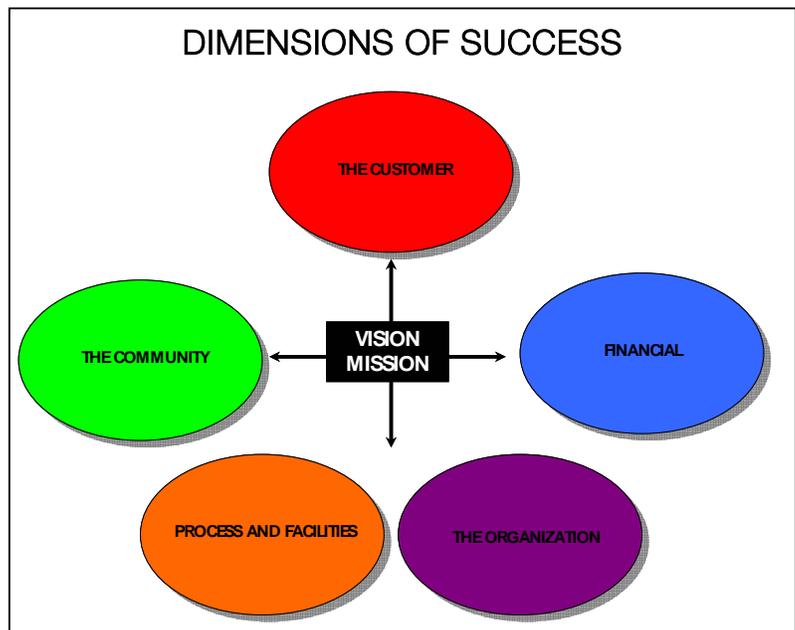
6. Enhance and encourage continued growth of general aviation; provide conditions where aviation service business can earn a reasonable profit
7. Provide wanted and needed services to airport business, local area business, and visitors at reasonable prices
8. Management of the airports will be provided by experienced professionals, versed in airport management

Consultation with management, stakeholders, and tenants suggests general agreement with these objectives, although there appears no explicit reference to these objectives in the decision-making or budgetary process. As such, we would strongly recommend that the City institute a Strategic Business Plan for the Division and recognize that plans to achieve performance improvement and deliver the highest customer service must be developed in the broad context of the vision, goals, and objectives of the Division.

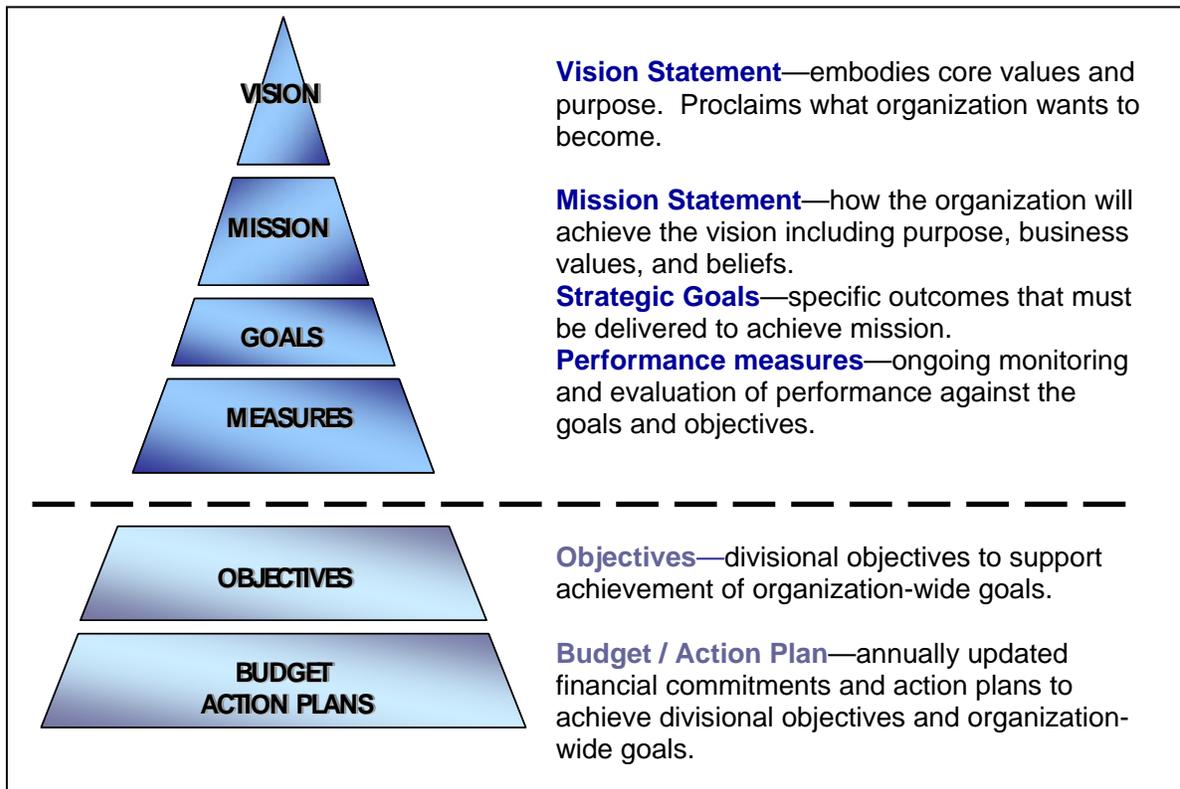
The Strategic Business Plan would re-define the Division's business goals, establish common priorities, and provide specifications, such as leasing specific areas and conducting development projects, for the whole organization to achieve desired outcomes. It would provide a common road map for the City and Airport management to address emerging issues and facilitate effective decision-making in pursuit of its ultimate objectives.

We would recommend a simple re-statement of mission and goals that than can then be developed into a series of specific medium-term objectives and in turn a series of annual action plans. The Division currently submits an annual operating budget to the City. We would recommend that this budget be aligned to a Strategic Business Plan for the Division that would not allow annual priorities to be established and, in setting priorities for following years, past performance to be measured.

Given that the challenges facing the Division are multi-dimensional, as reflected in the objectives in the current City Policy, it is therefore important to consider a strategic plan that fully reflects those dimensions. Goal setting, considering a balanced appraisal of often-competing perspectives will help to provide a reference point against which more effective decision-making can be made. An example of a typical dimensions of success, is shown in the figure to the right.



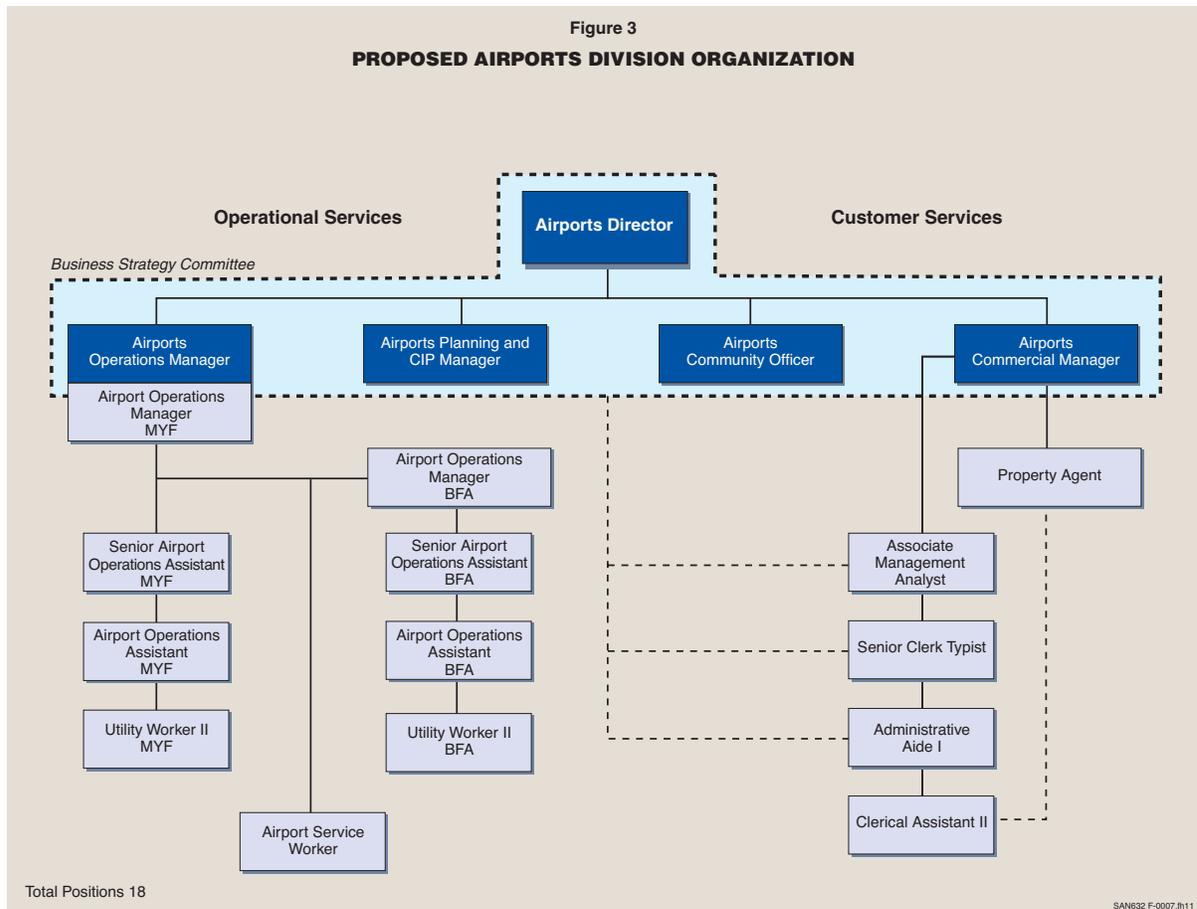
For a strategic plan to have relevance and broadly based support, it is imperative that management and staff have a direct and participative input to the development of the plan. Strategic plans only offer value when goals, objectives, and measures are actively embraced by management, who effectively “drive the plan.” In this context, it is recommended that preparation of a strategic business plan provides an opportunity for direct input from both the City, senior Airport staff, and the Airports Advisory Committee. We would suggest that this need not be an exhaustive exercise and could be a simple restatement of current policy; however, the very process of review would provide the Division with a stronger and unifying purpose.



With the recent changes in the Division, there is a strong willingness within the Division to refocus the Division, which provides a good platform from which to institute a strategic planning process. Establishment of a clear road map with agreed annual action plans, which have been approved by the City, provides an opportunity for the City to devolve more day-to-day decision-making responsibility to Airport management. Based on the review to date, we suggest that such a response could potentially provide the single greatest stimulant to improved Divisional performance.

Proposed Organizational Development

Based on the issues identified to date, we have outlined a number of potential changes that would tighten the organization and potentially enhance performance. A proposed revised organization chart, shown on Figure 3, includes a total of 18 full time positions. This compares to the current organization that has 18.50 budgeted positions, but currently has 17 positions filled. We propose one additional staff person, together with a re-allocation and classification of the existing staff.



Each function of the organization is described below:

- Airports Director
- Operations
- Planning and Capital Improvement Program
- Commercial and Property Leasing
- Community Relations
- Administration
- Business Strategy

Airports Director

The role of the Airports Director is a key link between the City and the Airports. While there is potential to consider whether this role would be better served through enhanced Airport Manager positions at Montgomery Field and Brown Field, there are distinct advantages in having a single focal point for the organization.

Firstly, the Airports Director fulfills a key role in managing City relations in coordination with the Director of General Services, which means that the rest of the Division can focus on specific Airport matters. Secondly, the Airports Director provides leadership and direction for the Division and can ensure that there is a coordinated vision for the Airports. Although issues need to be addressed at the local Airport level, it is important that solutions reflect the objectives for the whole Airports System, and the Airports Director is able to reflect this key perspective.

We suggest that the concept of establishing criteria for the benefit of the overall Airports System could be beneficially applied throughout the organization and would provide a framework for the Division to develop a more coordinated and consistent response to issues as they arise.

The commercial and planning functions are essentially performed by the Airports Director at present but a greater devolvement of responsibility would free up the Director's time to provide greater strategic direction and monitoring of progress while acting as the main liaison with the City.

Operations

The role of Airport Manager at Montgomery Field and Brown Field is essentially an operations management function at present. We suggest there is merit in having a lead Operations Manager whose responsibilities would encompass Airport operations at both Airports to help facilitate a more coordinated response to problem solving.

While there is a continued need for an airport (operations) manager at both Airports, we would suggest that the Airport Manager at the busiest Airport at present, Montgomery Field, would also act as Operations Manager for both Airports, supported by a local airport operations manager at Brown Field. The Airports Operations Manager would be responsible for negotiations with the FAA on operational issues at both Airports and would report directly to the Airports Director. By removing the focus on individual airports, the organization is better placed to consider developments from an Airports System perspective.

Given the greater responsibility of this role, we would suggest that the Airports Operations Manager position has a compensation package that reflects the increased responsibility. The current operations staff provides a high level of service, and one that, in many cases, embraces more responsibility than expected from their job classification. We suggest that there is scope for a review of the current operational job classifications to reflect more

accurately the demands of the specific positions and that salary scales are reviewed in that light. This is important in considering succession planning since the current job classifications and salary scales may not, in the future, attract a caliber of candidate necessary to maintain operational efficiency.

The demarcation of functions within Airport Operations does not necessarily provide the most effective use of the available resources, particularly with respect to general airport maintenance. San Diego County has a classification called an Airport Service Worker, that is able to fulfill a more comprehensive general maintenance function. The City should give consideration to creating a similar job classification that could provide a cost-effective on-call general maintenance service for both Montgomery Field and Brown Field. This could reduce the direct airport costs of hiring City contractors and ensure that airport operations staff is not diverted from operational efficiency and safety functions.

The current Equipment Operator position at Brown Field appears too restrictive to justify a full-time position. We would suggest that this position could be reclassified as an Airport Service Worker, which would not only encompass the current Equipment Operator responsibilities but also cover more general maintenance functions for both Brown Field and Montgomery Field. Although the position would likely be based at Brown Field, it would ensure that at key times, additional resources are available to Montgomery Field.

Planning and Capital Improvement Program

The recent hiring of a dedicated Project Manager for the Airports Division has helped to promote Capital Improvement Program (CIP) initiatives and provide a focal point to better define planning requirements. We would suggest that this position be titled Airports Planning and CIP Manager for both Montgomery Field and Brown Field, with continued direct reporting to the Airports Director.

Commercial and Property Leasing

There would appear to be limited rationale for two Property agents, especially as they are co-located at Montgomery Field. While we would suggest that the Brown Field agent would be more effective if located at Brown Field, we consider that the splitting of property decision-making does not support the concept of the two Airports as a system and restricts the ability of the Division to develop a coordinated lease policy.

The role of the property agent needs to incorporate a more proactive stance with tenants and this is probably best accomplished through the creation of a Commercial Manager position as distinct from the legal preparation of lease documents, for which the Property Agent is currently responsible. The creation of this customer-facing position would allow leasing to be more closely aligned with tenant needs. The Commercial Manager position would replace one of the property agent positions and would ensure a greater business

development focus within the organization. The remit could include promotional public relations.

A single Property Agent would report to the Commercial Manager and be responsible for the legal aspect of leases at both Airports. The Commercial Manager would have a broad proactive remit. It is important that it is a customer-facing position to facilitate improved relations with tenants.

Community Relations

The responsibilities of the Noise Abatement/Community Relations officer include noise monitoring and community relations. Stakeholder discussion revealed that this position functions effectively and that the community is kept abreast of any proposed Airport changes or developments.

However, in considering the potential for development at both Airports, there is benefit in ensuring this role continues to adopt a proactive remit in building relations with the community. In particular, the community around Brown Field has proved hostile to Airport development in the past and an ongoing proactive response is needed to try and improve community relations, particularly with the growing residential community.

Production of literature and newsletters promoting local benefits from the Airports and highlighting specific mitigation measures may be useful in addition to providing the potential for a greater focus on public relations, such as Airport open days and community events. We would suggest that with general administrative support, this role can effectively help to enhance local community support and engagement in the long term future of the Airports. To facilitate proactive community engagement, we recommend that the Community Relations Officer be included in the Business Strategy Committee to be fully informed of Airport plans and development and therefore be positioned to plan an appropriate response in community relations.

Administration

Administrative support could be better defined and aligned to Airport operational and business needs. This would include support on general airport issues such as maintenance of a business directory, lease information, airport user information, and marketing material in addition to typical clerical and filing support functions.

There would appear to be scope for targeted investment in general administrative facilities and procedures to facilitate improved central housing of all Airport-related operational, business, and financial information. While many general financial and budget functions could be handled centrally in the general City organization, there is still a requirement for local airport analyst, administration, and clerical support.

Administration does require a clear reporting line. We propose that they would report to the Commercial Manager; however, it is important to recognize that they provide active support to the whole Division, including filing and maintenance of current lease directories and terms. In addition to payroll duties, the Clerical Assistant position could also provide general filing and clerical support to the Property Agent, which would allow more effective local administration and reduce reliance on downtown general City support.

Although there is some scope for a reduction in the number administrative personnel, with targeted training, there are many potential areas where they could be usefully engaged to enhance the general business organization within the Division. In particular, the Division is not proactive in the production of tenant, community, pilot information, and business development material. We would suggest that, with a reclassification of roles, the Administrative staff could be used to enhance the quality and quantity of material provided by the Division. If the Division is to develop a stronger business focus, it will need to ensure that it has the necessary resources to support a more customer-focused approach. We would therefore suggest that the responsibilities of the administrative staff be extended to help facilitate greater communication with tenants, business, and the community.

Although the Information Technology (IT) position is vacant, some need for improved on-site IT support and facilities was identified. Given the limited workload, it may be difficult to fully justify a position. It would be more practical to dedicate City resources that could provide an on-call service.

Business Strategy

We have previously identified the need for a coordinated vision and development of a coordinated strategy for both Airports. While the Airports Director would ultimately be responsible for defining the business objectives, the addition of a Business Strategy Committee would help to better promote strategic thinking within the Division. We would suggest that the Business Strategy Committee be composed of senior management, namely:

- Airports Director
- Airports Operations Manager
- Airports Planning and CIP Manager
- Airports Commercial Manager
- Airports Community Officer

This Committee would provide the Division with a balanced perspective on the issues at hand and promote greater coordination of activities by formalizing greater appreciation and broader awareness of the operational, planning, commercial, and community issues at both Airports. There may also be scope for this committee to include a representative from the AAC to ensure key tenant, stakeholder, and community views are represented, although it is important that ultimate decision-making authority remain with the Airports Director.

Many of the issues identified during the review can be traced back to the City organization and the complex approval and decision-making process. The organization of City functions is currently being reviewed and is beyond the remit of this assignment; however, for the Airports Division to function more effectively and satisfy customer needs, a greater level of decision-making power and autonomy needs to be extended to the Division. This is particularly acute for lease renewal and extension, and the failure to agree on any new or extended leases is testament to the failure of the current process.

For the organization to deliver real improvement, it is important that the City divests decision-making power to the Airports Director and senior management. A key function of the Business Strategy Committee would therefore be to prepare a three-plan strategy supported by an Annual Business Plan and Budget for approval by the City. Once approval has been given, the Airports Division would be responsible for delivery and be empowered to make final decisions consistent with the Strategic Plan.

In addition, it is important that the Airports Division agree with the City on a standard lease template that would provide a standard framework within which individual leases can be developed to suit particular circumstances.

D. OPERATIONAL REVIEW

This section contains the operational reviews of Montgomery Field and Brown Field, based on visual inspection, review of airport data and interviews with Airport management.

Montgomery Field

Background

A visit was made to Montgomery Field on December 21, 2005, to conduct an operational, infrastructure, and maintenance review as well as an overall airport facility assessment.

Participants were Andy Carlisle of LFA, D. Garcia of GCW Consulting, Michael Maria and Jeff Soriano of City of San Diego Engineering and Capital Projects, and Montgomery Field Airport Manager, Mike Tussey. D. Garcia conducted an Airport and facility tour with Mr. Tussey, Mr. Maria, and Mr. Soriano. A subsequent meeting with Andy Carlisle, Mike Tussey, and D. Garcia was held.

The objective of this visit was to (1) review the existing conditions of the Airport infrastructure as well as in-progress and planned construction improvements, (2) evaluate and review the current operational aspects of the Airport and facility maintenance issues, and (3) identify areas that may require improvements or additional focus for improved performance.

The airport tour and review with Mr. Tussey focused on the airfield, runways and taxiways, apron space, certain buildings, and an airport property issues overview. The follow-up meeting with Mr. Tussey provided more input into the Airport's history, prior developments and improvements, current projects in design and planning, an overview of current tenants, and Airport operations in general. The tour review and meetings produced a positive exchange of information between parties and provided a comprehensive overview of the Airport's facilities and operations.

General Characteristics

Montgomery Field is located approximately 8 miles northeast of San Diego, California centrally located in the Kearny Mesa area of the City and at an elevation of 427 feet/ 130 meters surveyed. Originally known as Gibbs Field, the City purchased the Airport in 1947 and in 1950 renamed it Montgomery Field. The Airport handled about 245,000 aircraft operations in 2005, up from 229,673 and 216,786 in 2004 and 2003, respectively, although slightly lower than the operations levels of 245,643 per annum in 2002 and 251,859 in 2000. The Airport currently has 554 based aircraft, composed of 440 single engine, 47 multi-engine, 37 helicopters, 13 jet aircraft, 5 single engine, and 12 multi-engine airplanes. The Airport property overall encompasses approximately 550 acres. The Airport is close to a major highway, Highway 63, and surrounded by a mix of residential, commercial office, and light industrial complexes.

The Airport has three runways—Runway 10L/28R, which is 4,577 feet long by 150 feet wide; Runway 10R/28L, which is 3,401 feet by 60 feet; and a cross runway, Runway 5/23, which is 3,400 feet by 150 feet long. The Airport has 306 aircraft tie-down positions, 349 hangar units, and 6 helicopter pads.

Airport services, provided by tenants, in general include fueling (110LL and Jet-A), airframe service, power-plant service, aircraft rental, sales, charter, flight training, and pilot supplies. Oxygen service and overnight aircraft parking are also available. Car rental and a good size restaurant are also located at the Airport. A Four Points Sheraton Hotel is located at the south west corner of the Airport property. Major FBOs currently operating include Gibbs's Flying Service, Crownair Aviation, National Air College, and Corporate Helicopters of San Diego. The main administrative offices of the City of San Diego Airports Department, which oversees both Brown Field and Montgomery Field, are located at Montgomery Field as well as the Community Airfields Association of San Diego (CAASD).

Airport Infrastructure Review and Assessment

This section summarizes an assessment of the runways/taxiways; runway/taxiway signs, markings, and lighting; perimeter security and other airfield issues; apron, hangar, and terminal areas; general Airport operations.

Runways/Taxiways. Runway 10L/28R is 4,577 feet by 150 feet. The runway is made of asphalt/rubberized friction seal coat. Runway 10R/28L is 3400 feet by 60 feet and also constructed the same as Runway 10L/28R. Runway 5/23 is 3400 feet by 150 feet and is made of asphalt. Runway 5/23 has the least use and is mostly used as a training runway. Visual observation shows that there some general deterioration issues in different areas of the runways as well as taxiways. There are areas of popout, cracking, fractures, fissures, some depressions, raveling, and disintegration. It was reported that no major airfield surface work has been completed in about 20 years. We were advised that the California Department of Transportation had also recently conducted a complete runway and taxiway condition inspection. The Airport has submitted a comprehensive rehabilitation project in 2007-08 for slurry seal of runways, taxiways, and aprons for nonleased FBO areas, including rehabilitation of Taxiway F, as part of the FAA Airport Capital Improvement Plan (ACIP) FY 2006-2010. Restoration of all taxiways and shoulders is also included in the plan for 2008. The overall condition of the problem areas is judged to require work beyond an extensive maintenance program. These major repairs, which would add to the continued operational integrity of the Airport for years to come, are recommended.

Runway/Taxiway Signs, Markings, Lighting. In general, runway designation markings visually appeared to be up-to-date and within standard. The runway markings for Runway 10L are nonprecision. The runway markings for Runway 28R are precision and in good condition. Markings for Runway 10R/28L and Runway 5/23 are basic and also appear to be within standard.

Threshold markings, runway centerline markings, and touchdown markings visually appeared to be good and also consistent and within established criteria. Runway 10L/28R has visual slope indicator equipment and touchdown points but no lights. Runway 10L has no approach lights or runway end identifier lights (Runway 10R), but Runway 28R does. Runway 5/23 also has touchdown points but no lights and no runway end identifier lights.

Taxiway signs are in order and convey the mandatory instructions and information. The FAA ACIP plan submitted includes runway lighting for Runway 5/23 as well as replacement of nonfrangible signs, for implementation in 2010.

Perimeter Security and Other Airfield Issues. New security perimeter fencing is a project currently under way and being managed with the assistance of Michael Maria from the City Engineering and Capital Projects division. This fencing will be completed in a couple of months. Vernal pool restoration is another key project targeted for completion this year. This project is a requirement of the Montgomery Field Master Plan. Other projects in the FAA ACIP plan, including future heliport locations, access road work, blast-pad, and run-up apron work, are all considered to be useful projects.

The Airport conducted a drainage study years ago, but there are still some issues and areas that should be studied again and/or addressed as part of future construction and/or development projects.

The FAA Airport Traffic Control Tower is in good and proper operating condition.

The former Critical Air Area site now used by the Police Department and International Aero Club site, located airside, also appeared to be within standard.

Apron, Hangar, and Terminal Areas. The concrete apron areas in front of the terminal and aircraft tie-down and hangar areas appear to be in good condition, clean, and organized, with no vehicle traffic and aircraft maneuvering, taxiing, or safety or foreign object damage (FOD) issues.

The existing hangar areas of Crownair, the National Air College, Coast, Gibbs, Marigold, and others toured appear orderly and well maintained. The interiors of hangars, shops, and offices visited appeared to be clean, and well maintained.

The main terminal and administrative building areas appear to be in good condition, not dilapidated or in need of major repairs or upgrades. The terminal building has a restaurant on the second level, which seems to be popular with many others in the general area. The restaurant is totally dependent on City power. The tower and airfield electrical vault have or will have their own back-up but back-up power should also be considered as part of the modernization and beautification program.

General Airport Operations. The Airport has a fire helicopter and a police helicopter station, but mainly for City Services response use. The Airport has a fire truck. Airport staff conduct fire first response and security sweeps of the Airport. They have an agreement with the Fire Department on handling cases for support depending on the emergency. Other

than the Drug Enforcement Administration (DEA), which is located in the Gibbs FBO area, there are no other City agencies or any fixed military functions at the Airport. The Airport has perimeter security fencing, portions of which are currently being replaced.

The Airport has utility workers and a grounds supervisor. Landscaping, grass-cutting, and weed-spraying are outsourced. These are major annual functions as are most other small maintenance types of services, such as fence repair. Major runway repairs and construction work are all handled by contractors and City contracts.

The Airport has its own separate weather and meteorology station as well as noise abatement office. The Montgomery Field noise abatement office also supports the Brown Field airfield, when necessary. The Airport does not have regular weekend operations coverage.

Airport documents, such as emergency plan, operations manual, security procedures, and other regulations, appeared to be in order as the Airport Manager's office area also has an administrative support person.

Airport Properties Development and Land Use

Based on the overall review of the Airport, its existing facilities, and land use and based on a review of the proposed ACIP plan, other airport infrastructure development observations and points for consideration are as follows:

- The overall leased areas appear in good condition, well developed, and under apparent good management.
- The areas already planned for development, such as the 'Spiders' area and the future heliport locations, are logical and in line with positive aviation growth development of the Airport.
- There are actually very few areas for additional expansion development. Lot 3 and future heliport locations as well as the current Fire Department and Police Department locations are the main areas. Other than those areas and owing to the environmentally sensitive areas that restrict development, the Airport has limited land available for development. The efficiencies and optimization Airport management can get from existing leases and operations should be a further focus of attention.
- Once the runway and airfield improvements are completed and those currently vacant areas or properties planned for RFP development are in place, the Airport will be close to a maximization of 'development'—not necessarily operations-wise, but land-wise. Therefore, efficiency and performance plans and measures should be further studied and implemented in all functional areas.

Summary Airport Infrastructure Review and Assessment

A summary airport area assessment and recommendation list, presented in Table 1, includes the observations and recommendations made per the assessment visit. The purpose of this list is to recommend that Airport management continue to concentrate efforts in these areas to improve operations safety, profitably exploit assets, and continue commercial viability of the Airport.

Conclusion of the Montgomery Field Assessment

The Airport has infrastructure and land available that are in a reasonable condition overall and still worthy of the planned and/or recommended improvements as well as investment for optimization and improved performance. The Airport infrastructure and property along with the operation are manageable and have the potential for future growth and positive development.

Table 1

**MONTGOMERY FIELD SUMMARY AIRPORT INFRASTRUCTURE
AND OPERATIONS REVIEW AND ASSESSMENT**

Airport Area or Function	Description/Issue	Summary Assessment and Recommendation
Airfield Runways and Taxiways	Pavement deterioration/ rehabilitation	Condition currently shows deterioration and concur with ACIP plans for rehabilitation.
Airfield lighting and signs replacement	New lighting for Runway 5/23	Proceed per ACIP plan.
Perimeter Fencing	Install fencing for security & safety	Proceed as planned. Already in progress.
Airport/Airfield Drainage, Irrigation	Improve site drainage conditions.	Conduct further study and phase improvements as part of revised ACIP plan or include with future developments.
Airport Terminal Building, Offices	No issues.	No action recommended.
Vernal Pools restoration	Environmental land issue for airport and master plan approval	Proceed with project work as planned.
Airport grounds and facilities maintenance	Landscaping, lawn cutting, spraying currently outsourced	Also recommend to review Astro Turf alternatives and to possibly add to future airfield ACIP projects.
Spiders property site	RFP development	Proceed with development as planned.
Airport property Lot 3	Available property for development	Proceed with RFP as aviation related business site.
Heliport Facilities	New heliport areas development	Proceed per ACIP plan. Offer to existing tenants or RFP for new as well.

Brown Field

Background

A visit was made to Brown Field on December 20, 2005 to conduct an operational, infrastructure, and maintenance review, as well as an overall airport facility assessment.

The visiting participants consisted of Andy Carlisle of LFA, D. Garcia of GCW Consulting, Michael Maria of City of San Diego Engineering and Capital Projects, and Brown Field Airport management—Phillip Miller, Airport Manager, and Chris Cooper and Wayne Reiter, Airport Operations Assistants. D. Garcia conducted an Airport and facility tour with Philip Miller. A subsequent meeting with LFA and GCW was held with Airport staff.

The objective of this visit was to (1) review the existing conditions of the Airport infrastructure as well as in-progress and planned construction improvements, (2) evaluate and review the current operational aspects of the Airport and facility maintenance issues, and (3) identify areas that may require improvements or additional focus for improved performance.

The Airport tour and review focused on the airfield, runways and taxiways, apron space, certain buildings demolitions and improvement, and an airport property issues overview. The follow-up meeting with Mr. Miller and staff provided more input into the Airport's history, prior developments and improvements, current projects in design and planning, the ACIP for 2006-2010, and an overview of current tenants, operations, and Airport operating statistics. The tour review and meetings produced a positive exchange of information between parties and provided a comprehensive overview of the Airport's facilities and operations.

General Characteristics

Brown Field is located approximately 19 miles southeast of San Diego, California at an elevation of 526 feet/160.3 meters surveyed. Originally named East Field in 1918 and used by the Navy until 1962, Brown Field serves as a general aviation airport, a reliever airport for San Diego's Lindberg Field, and a port of entry airport for private aircraft coming into the United States through Mexico. The Airport handles about 12,000 aircraft operations per month and 117,000 operations per year in 2005. The Airport had 184 based aircraft in 2005, composed of 156 single engine, 15 multi-engine, 12 jet aircraft, and one helicopter. The Airport property encompasses approximately 900 acres and has the longest runway in Southern California, with Runway 08L/26R almost 8,000 feet long and 150 feet wide. The Airport has 85 tie-down positions for aircraft, 112 hangar units, and 3 helicopter pads.

Airport services in general include fueling (100LL and Jet-A), aircraft maintenance, aircraft rental, car rental, restaurant, and a U.S. Customs Office for international flights from Mexico. The major FBO currently operating at Brown Field is Lancair Jet, which provides general handling, ramp service, and fueling services. Other tenants include First Flight, which

provides aircraft maintenance, training, and hangar management, and Aviation International, which manages hangars.

Airport Infrastructure Review and Assessment

This section summarizes an assessment of the runways/taxiways; runway/taxiway signs, markings, and lighting; perimeter security and other airfield issues; apron, hangar, and terminal areas; general Airport operations.

Runways/Taxiways. Runway 08L/26R is 8,000 feet long and 150 feet wide. The runway meets the operational requirements for certain widebody aircraft types. The runway is asphalt/concrete and is in need of additional repair on the concrete operational areas. Visual observation shows that there is popout, cracking, raveling, spalling, disintegration, and deterioration in many surface areas. The Airport has submitted a comprehensive rehabilitation project for the runway in the FAA ACIP FY 2006; however, in the interim, the Airport should proceed with the temporary maintenance repairs.

Runway 8R/26L is 3,180 feet long and 75 ft wide and is mostly used by smaller aircraft. The runway is asphalt and in fair condition. There are signs of FOD, which appears to come from the vicinity of Taxiway B.

Taxiway B has already been inspected and identified as substandard structurally. Its use is restricted to small aircraft (less than 12,500 pounds) due to its current surveyed strength. It is the main taxiway for nearly all of Runway 08L/26L operations and landings. Taxiway A also has some pavement deterioration, near the concrete areas of Runway 08L/26R. Funding requests for Taxiways B and A also have been submitted as part of the FAA ACIP for 2009-2010. Given the timeframe involved, an extensive maintenance and repair program will be required in the interim. Taxiway C between the two runways is in fair condition; however, the old Taxiway C roadway, which circulates south of the FAA Airport Traffic Control Tower, is also in poor condition, with some apparent graveling deterioration. This 'roadway' may be reconsidered as part of any future landside development adjacent and parallel to Otay Mesa Road.

Runway/Taxiway Signs, Markings, Lighting. Runway designation markings visually appeared to be up-to-date and within standard. The runway markings for Runway 8L/26R are nonprecision. For Runway 8R/26L, they are basic. The runway designation markings are provided in the threshold area, and consist of a two-digit number.

Threshold markings, runway centerline markings, and touchdown markings visually appeared to be consistent and within established criteria. Taxiway signs are in order and convey the mandatory instructions and information.

Airfield lighting and electrical are considered outdated and need to be replaced. There is an ACIP project to replace and upgrade the electrical and lighting systems. The project design is complete and awaiting approvals to go out to bid, for a possible construction start in 2006.

For the safe operation and the improved commercial capacity of the airfield, this project should be given high priority and approvals.

Perimeter Security and Other Airfield Issues. New and proper security perimeter fencing and lighting along Pogo Road to the north should be installed for security and appearance purposes. FOD from the car parts lots is also a potential apparent hazard. Some measure to control FOD is recommended, including possible fines to violating parties. It was reported that cost estimates for new fencing have been received and that federal entitlement funds may be used for this. Funds are also part of the ACIP request.

Similarly, installation of a new south side perimeter fence should be pursued for security reasons. It was reported that, although not regularly, someone breeches the Airport perimeter and is caught walking on airfield property, even up to the runway areas. From time to time, coyotes and other wild animals also are caught on the airfield property. Unless there is regular policing of all perimeter areas, proper fencing for the long term is a most proper and viable investment.

Some irrigation and landscaping improvements should also be further studied throughout the Airport. Airport management has reviewed possible options and recommended locations for this, but a proper site study should also be pursued with an architectural and engineering firm more expert in this matter. Some of these improvements may be added to Airport areas as future redevelopment RFPs. The organic recycling area located on the northeast corner of the Airport site is planned for removal. We concur with locating the organic recycling area here owing to environmental concerns and land use issue—nonaviation land use of airfield property.

The FAA Airport Traffic Control Tower was built new in the early 1970s and is in proper operating condition.

Apron, Hangar, and Terminal Areas. The concrete apron areas in front of the aircraft tie-down and hangar areas and by the terminal appear to be in good condition, clean, and organized. There are no vehicle traffic and aircraft maneuvering, taxiing, or safety issues.

The existing hangar areas of First Flight and Aviation International appear orderly and well maintained. The land and property just south of these areas can be further expanded to be contiguous with the existing concrete ramp area and serve as an expanded hangar and FBO base of operations.

The older buildings and facilities in the area just to the south of Curran Street along with all the above ground electrical wiring should be further addressed for aesthetic, commercial, and modernization opportunities. The above ground wiring should be relocated underground and associated water, drainage, and other utilities should be examined to clean up the area in general. A building is being demolished and other demolitions are planned since these buildings are old and likely out of code. It would be better to demolish all of them in a phased manner to create a clean site for future and new commercial

development. Phased demolition would also involve the redesign and reconstruction of Sikorsky Road. This type of overall project has also been submitted as part of the FAA ACIP project budgets.

The terminal building area along with the old Airport Traffic Control Tower is not judged to be visually appealing, particularly the exterior and view from the public parking area. Airport beautification and modernization is a high level matter among all Airport stakeholders and a high priority issue that should be pursued to the fullest. On the interior, the public restrooms are also in serious need of upgrading and remodel. The first step and most obvious is the visual restoration of the old tower. Airport management has already received quotes for this work.

The Airport terminal and building areas do not have an emergency generator or secondary back-up. They are totally dependent on City power. The tower and airfield electrical vault have or will have their own back-up; however, back-up power should also be considered as part of the modernization and beautification program.

General Airport Operations. The Airport is not a FAR Part 139 airport so its characteristics are those of a typical general aviation airport. The Airport does not have its own dedicated fire, police, or rescue station. The Airport has a fire truck, and Airport staff conduct first fire response and security sweeps of the Airport. Other than the Border Patrol, there are no other City agencies, government support agencies, or any fixed military functions at the Airport. The Navy Seals still do some training at the Airport. Some parachute jumping and dirigible flight activity still operate around the Airport; however, these activities do not interfere with Airport operations.

Landscaping and grass-cutting is outsourced as are most other small maintenance type of services, such as fence repair. As reported, the lawn service is a major annual budget item as there is considerable lawn square footage. Airport management may have utility and grounds support; however, most of this support is covered by the operations staff. Major runway repairs and construction work are all handled by contractors and City contracts. Support from Michael Maria and the City Engineering Department has been important and very helpful given the capital projects that Airport management are undertaking and planning for the future. The Airport does not have its own separate weather and meteorology station or a noise abatement office. The Montgomery Field noise abatement office supports the Airport when necessary.

Airport documents, such as an emergency plan, operations manual, security procedures, and other regulations, are outdated or not well prepared. Airport records on finances, revenue, and expenses are limited to the aeronautical operation and noncommercial aspects of the Airport.

Airport Properties Development and Land Use

Based on the overall review of the Airport, its existing facilities, and land use and based on a review of the proposed ACIP plan, developments within the surrounding area and vicinity of

the Airport, and discussions with Airport staff, proposed Airport property development recommendations are as follows:

- Development of land south of Sikorsky Street on corner of Heritage Street and Otay Mesa. A hotel with a restaurant, pool, and business/conference center and small recreation area, such as a nine-hole golf course, would be a possible option for this parcel of land.
- Design and construction of an airfield wash-rack facility. Currently, owing to state storm water permitting issues, aircraft washing and other fresh water related discharges are not allowed on the Airport. Tenants and Airport users have to use a company that specializes in water recovery or fly their aircraft to Gillespie Field to use its wash rack system.
- Development of the area along old Taxiway C west of the FAA Airport Traffic Control Tower for T-hangars or a full service FBO operation. Access road, utilities, and public areas could be integrated into this area as well.
- Development of heliport facilities and/or cargo facilities west of the Organic Recycling Area. Any type of cargo operation could require community support; therefore, it should be limited to small aircraft turboprop operators.
- Redevelopment of property north of Pogo Road where the car parts site is currently located. Potential developments could include aircraft parts or component manufacturing and distribution, or types of development similar to those south of the Airport along Otay Mesa Road, such as light distribution or industrial warehouse developments.
- Similar to the area north of Pogo Road on the Airport, the non-Airport property site to the west of Heritage Road could be altered and or redeveloped for light industrial, manufacturing, or distribution purposes. It is clear such planning has been productive in the non-Airport areas to the south and east of the Airport. The areas to the west and north should also review their current and future zoning development plans and opportunities.

Shortcomings and Deficiencies

A summary Airport area assessment and recommendation list, presented in Table 2, includes the observations and recommendations made per the assessment visit. The purpose of this list is to recommend that Airport authorities continue to concentrate efforts in these areas to improve safety to operations, profitably exploit assets, and maintain the continued commercial viability of the Airport. The obstacles to these opportunities are organizational and financial or political rather than technical.

Conclusion of the Brown Field Assessment

The Airport has infrastructure and land that are manageable and have the potential for future growth and positive development, and still worthy of the planned and/or recommended improvements as well as investment for optimization and improved performance.

Table 2

BROWN FIELD SUMMARY AIRPORT INFRASTRUCTURE & OPERATIONS REVIEW & ASSESSMENT

Airport Area or Function	Description/Issue	Summary Assessment and Recommendation
Runway 8L/26R, Taxiway B, Taxiway A	Pavement deterioration/ rehabilitation	Condition currently shows deterioration and concur with ACIP plans for reconstruction.
Airfield lighting & electrical	Upgrade of system and technology	Proceed per ACIP plan.
Perimeter fencing	Install fencing for security and safety	Proceed per ACIP plan.
Airport/Airfield drainage, irrigation	Improve site conditions due to drainage, irrigation	Conduct further study and phase improvements as part of ACIP plan or include with future development works.
Organic Recycling Area (OR)	Environmental concern, land use issue	Evict from property as planned. Develop land west of OR for small cargo or heliport.
Sikorsky Rd./ Curran St. Underground facilities and associated bldgs.	Demolish buildings, relocate utilities underground and clear site for future apron expansion and development	Proceed per ACIP plan. RFP future site for aviation related development and operation.
Airport Terminal Building, old tower	Facilities deteriorated and upgrades required	Fund and proceed with airport beautification and modernization program.
Grounds and facilities maintenance	Lawn service currently outsourced	Suggest to review alternatives like Astro Turf and to include as part of future ACIP projects or conduct cost/benefit analysis vs. maintenance cost.
Land at corner of Heritage and Otay Mesa	Currently unused and not leased	Develop for possible hotel and recreation area. Include in RFP any major infrastructure improvements.
Land along old Taxiway C SE & SW of tower	Good property currently not developed	Develop land for possible FBO operations or corporate hangar facilities. Create public access and facilities.
Airport property north of Pogo Road	Currently leased to auto used parts business	Redevelop as aviation related business site or light industrial or commercial site.
Nonairport property west of Heritage Rd.	Currently leased to auto used parts business	Encourage local authorities to redevelop land into industrial or commercial site as others in vicinity.
Airfield wash rack facility	Current users have to use alternate means and airport	Potential revenue enhancement opportunity and commercial value added service and feature to airport.
Heliport facilities	No specific sites existing at Airport	Develop as FBO and sublease opportunity. Area next to OR or west of tower possible.

E. FINANCIAL AUDIT

The financial audit is discussed below in terms of financial parameters, by-Airport operating revenue and expense data, and performance benchmarking.

Financial Parameters

Table 3 summarizes recent historical, estimated, and budgeted operating revenue and expense data for the Airports Division for the period 2003 through 2006. At the time of this writing, audited actual by-Airport data were unavailable; however, budgeted operating revenue and expense data will be displayed later. As shown, the Airports had positive net revenues in 2004 and 2006; net revenues would have been positive in 2005 had it not been for a \$3.3 million litigation settlement expense. In 2006, total Airports Division revenues are budgeted to be about \$4.16 million; total revenues for Montgomery Field is budgeted to generate about \$2.87 million, about 69% of total revenues, and Brown Field about \$1.29 million, or about 31% of total revenues.

Nonaeronautical revenues are budgeted to include about 80% of total revenue between 2003 and 2005 but are budgeted to decrease to about 70% in 2006, principally as a result of the cessation of certain nonaeronautical leases at Brown Field. Major components of nonaeronautical revenues include commercial leases, at over 70% of nonaeronautical revenues. Major components of aeronautical revenues include ground leases, with leases to other City agencies (e.g., fire and police) being the second largest source of aeronautical revenue.

In general, the Airports are collectively capable of generating positive net operating revenues; in 2006, the Airports Division had net revenues of about \$1.5 million.

Table 3
AIRPORTS DIVISION REVENUE AND EXPENSE DATA

	Historical		Estimated	Budget
	2003	2004	2005	2006
REVENUES				
Aeronautical revenues				
Aviation leases	\$ 539,964	\$ 571,4123	\$ 536,465	\$ 959,290
Fuel flowage	157,811	215,012	233,921	252,941
Landing fees	<u>53,156</u>	<u>63,159</u>	<u>74,029</u>	<u>52,000</u>
Subtotal	\$ 750,931	\$ 849,594	\$ 844,415	\$1,264,231
Nonaeronautical revenues				
Commercial leases	\$2,170,131	\$2,397,218	\$ 2,490,979	\$2,090,959
Other City Leases	264,883	264,883	306,348	310,968
Parking fees	168,118	221,877	221,319	178,800
Fund interest	280,660	61,378	166,327	300,000
Miscellaneous	<u>108,621</u>	<u>93,446</u>	<u>84,903</u>	<u>11,000</u>
Subtotal	\$2,992,413	\$3,038,802	\$ 3,269,876	\$2,891,727
Nonaeronautical revenue as a percentage of total revenues	80%	78%	79%	70%
Total revenues	\$3,743,344	\$3,888,396	\$ 4,114,291	\$4,155,958
OPERATING EXPENSES				
Personnel	\$1,292,863	\$1,284,433	\$ 1,294,638	\$1,150,637
Nonpersonnel	<u>2,555,921</u>	<u>1,519,832</u>	<u>4,819,984 (a)</u>	<u>1,481,553</u>
Total	<u>\$3,848,784</u>	<u>\$2,804,265</u>	<u>\$ 6,114,622</u>	<u>\$2,632,190</u>
Net revenues	\$ (105,440)	\$1,084,131	\$(2,000,331)	\$1,523,768

(a) Nonpersonnel expenditures in 2005 include \$3.3 million litigation settlement expenses.

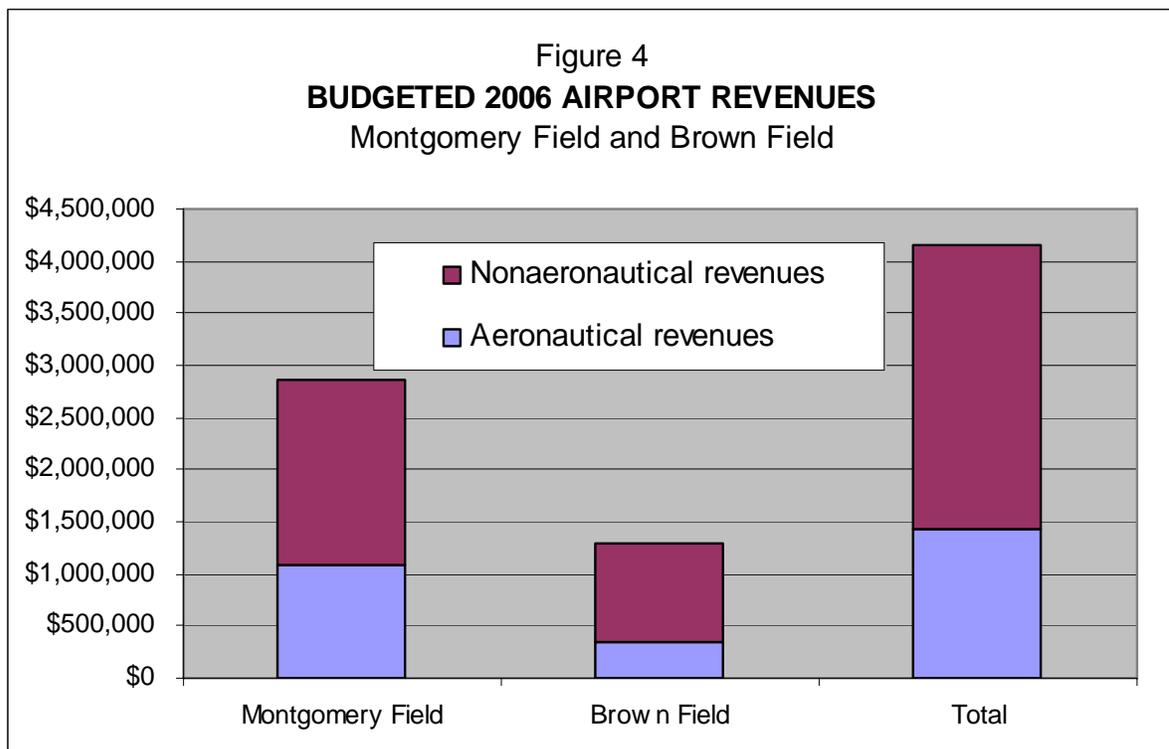
Sources: City of San Diego, Airports Division, January 2006.

By-Airport Operating Revenue and Expense Data

Major revenue drivers, operating expenses, net revenues, lease agreements, and an analysis of financial records and data are summarized below.

Major Revenue Drivers

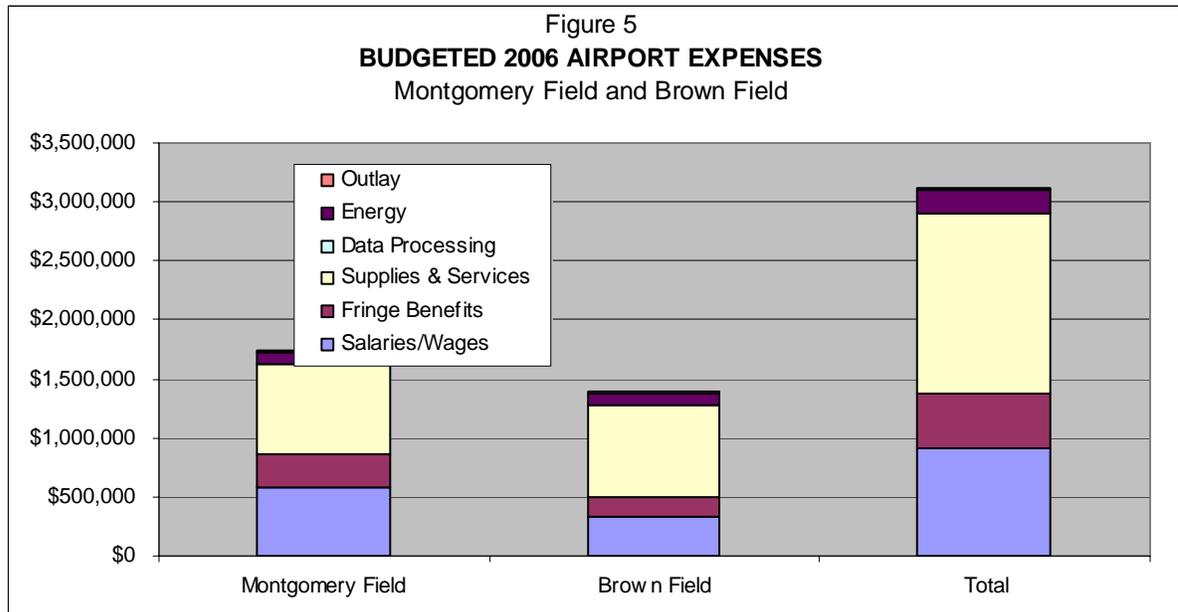
As shown in Table 3, in FY 2006, about 70% of total Airports Division revenues are budgeted to be nonaeronautical revenues (i.e. revenues not directly associated with aeronautical activities such as aircraft storage, maintenance or fueling), of which over 70% are commercial lease revenues. Figure 4 provides by-Airport aeronautical and nonaeronautical revenue data; as shown, both aeronautical and nonaeronautical revenues are significantly higher at Montgomery Field than at Brown Field. As shown later in Table 5, aeronautical revenues as a percentage of total revenues at Brown and Montgomery Fields are lower (at about 38% and 27%, respectively) than for the range of comparative airports (between 45% and 66%). This could suggest that there is a lack of aeronautical development, particularly at Brown Field. Airport management has stated that there has is significant nonaeronautical activity at Montgomery Field, which would also serve to suppress the percentage share of aeronautical revenues.



Operating Expenses

Figure 5 summarizes budgeted operating expenses at each airport and for the Airports System for 2006. As shown, supplies and services constitute the largest operating expense

component, followed by salary and wage expenses. [Note: There is variance between the by-Airport operating expense (\$3,124,514) and the Airports Division operating expense data (\$2,632,190).]



Net Revenues

Montgomery Field and Brown Field are budgeted to have net revenues of \$1,134,000 and (\$94,000) respectively, in 2006. As such, Airports Division net revenues are budgeted to be about \$1,040,000 in 2006. [Note: This is based on by-Airport budgeted revenue and expense data, which varies from aggregated Airports Division data.] As such, both Airports have the capability to generate positive net revenues even with a limited amount of lease development.

Lease Agreements

Airport management has stated that they believe Airport lease rates are below market levels. Table 4 summarizes the range of aeronautical and nonaeronautical ground lease rates at Montgomery Field and Brown Field together with (1) recent appraised ground rental rates and (2) selected comparative ground rental rates at certain benchmark airports. As shown in Table 4, major improved aeronautical annual lease rates range between about 24 and 34 cents per square foot at Montgomery Field, and between about 11 and 19 cents per square foot at Brown Field. Additionally, there is one significant unimproved lease at Montgomery Field (MYF Air Ambulance) with a ground rental rate of \$0.22.

Based on recent appraisals, the range of improved lease rates at Montgomery Field are lower/higher than market rates. A 2005 appraisal for unimproved land indicates that the mostly improved ground rental rates at Brown Field are similar to or lower than the appraised per square foot unimproved rate of \$0.18; given that improved ground rental rates

are usually higher than unimproved ground rental rates, this suggests that current improved ground rental rates are below the appraised market rate.

Airport management acknowledges that the Airports are a public asset and as such there is a balance between maximizing ground rental rates and encouraging development of aviation. It is recommended that ground rental rates be established using market appraisals, with review of comparative ground rental rates to establish where within the comparative airport range each City airport lies. Airport management should also identify “public use” land at Montgomery Field, where lower lease rates could be used for public aircraft storage.

Table 4
KEY LEASE DATA
Brown Field, Montgomery Field, and Comparative Airports

Airport / Lease	Average ground rental rate (a)	Lease agreement	Status of Term
MONTGOMERY FIELD			
Aeronautical Leases			
Coast Aircraft Sales and Salvage	\$0.31	Improved FBO lease: 2.8 acres with 9,250 sq. ft. building area	Month to month
Crown Air (Air 88)	\$0.31	Improved FBO lease: 12.9 acres with 1,600 sq. ft. building area. Includes utility reimbursement.	20-year term expires May 2016
Gibbs Flying Service	\$0.34	Improved FBO lease: 23.7 acres. Percentage of gross sales also charged.	Month to month
MYF Inc. (Air Ambulance)	\$0.22	Unimproved 2.4-acre air ambulance lease.	Month to month
Spiders (Corona and Brady)	\$0.32	Improved FBO lease: 2.2 acres with 11,946 sq. ft. building area. Percentage of gross sales also charged.	Month to month
National Air College	\$0.24	Improved 8.2-acre FBO lease: percentage of gross sales also charged.	Term expires April 2007
Police Department	\$0.51	Improved 4.7-acre helicopter base lease.	Month to month
1993 Appraisal	\$0.09	Unimproved	
1993 Appraisal	\$0.60	Buildings	
Nonaeronautical Leases			
City Engineering and Capital Projects	\$0.79	3.0-acre field and soil laboratory.	Month to month
Montfield Financial	\$0.58	19.3-acre hotel lease: percentage of gross sales also charged.	Term expires October 2033
Montgomery Field LLC	\$2.10	5.8 acre office and retail complex lease: percentage of gross sales also charged.	Terms expire July 2033 and July

2034



Table 4 (page 2 of 2)

KEY LEASE DATA

Brown Field, Montgomery Field, and Comparative Airports

Airport / Lease	Average ground rental rate (a)	Lease agreement	Status of Term
BROWN FIELD			
Aeronautical Leases			
Aviation International	\$0.19	Improved FBO lease: 2.6 acres with 8,600 sq. ft. building area	Term expires November 2033
Brown Field Aviation Ventures	\$0.12	Improved FBO lease: 20.3 acres with 10,200 sq. ft. building area	Term expires November 2031
Experimental Aircraft Association	\$0.17	Improved aircraft basing lease: 1.2 acres with hangar areas. New lease under negotiation.	Month to month
Lancair	\$0.11	Improved FBO lease: 1.5 acres with building area and hangars	Month to month
First Flight	\$0.13	Improved FBO lease: 2.9 acres with 3,424 sq. ft. building area	Term expires November 2031
2005 Appraisal	\$0.18	Unimproved	
1993 Appraisal	\$0.138	Unimproved	
1993 Appraisal	\$0.60	Buildings	
Nonaeronautical Leases			
Abre Enterprises	\$0.42	Unimproved auto storage and auction lease: 35 acres, based on 2005 revenues	Month to month
City of San Diego	\$0.85	Unimproved fire station lease: 1.3 acres.	Term expires June 2024
U.S. Border Patrol	\$1.67	Improved administration and aircraft/vehicle basing lease: 2.9 acres with office and hangar areas.	Month to month
OTHER AIRPORTS			
Chino			
Improved	n.a.		
Unimproved	\$0.02		
Concord			
FBO	\$0.35	Plus percentage of gross sales	
Specialty aviation / corporate hangar	\$0.78	Plus percentage of gross sales	
Hillsboro			
Improved and unimproved	\$0.38		
Mesa Falcon Field			
Improved	\$4.20		
Unimproved	\$0.32		

(a) Average overall ground rental rate for land plus buildings.

Sources: Respective airports, January 2006.

Analysis of Financial Records and Data

Analysis of financial information provides the following conclusions:

1. Montgomery Field has positive net revenues, whereas Brown Field has slightly negative net revenues, such that the Airports Division has positive net revenues.
2. Positive net revenues at Montgomery Field are highly dependent on nonaeronautical revenues—particularly commercial leases and the Lions Property, which constitute about 60% of 2006 budgeted revenues.
3. Brown Field has a lower absolute and percentage level of aeronautical revenues, which constitute about 27% of 2006 budgeted revenues. The recent cessation of certain nonaeronautical leases at Brown Field has caused commercial leasing budgeted revenues to reduce from about \$1.37 million in FY 2004 to about \$730,000 in FY 2006.
4. Airport management operate an Airport Enterprise Fund (AEP), which at the end of FY 2006 had a balance of \$2.77 million. Airport management receives Capital Improvements Program (CIP) funds into the AEP and disburse CIP expenses from the AEP. As such, the Airports do not raise debt or pay debt service at present.

Performance Benchmarking

Performance benchmarking was completed for 10 comparative general aviation airports:

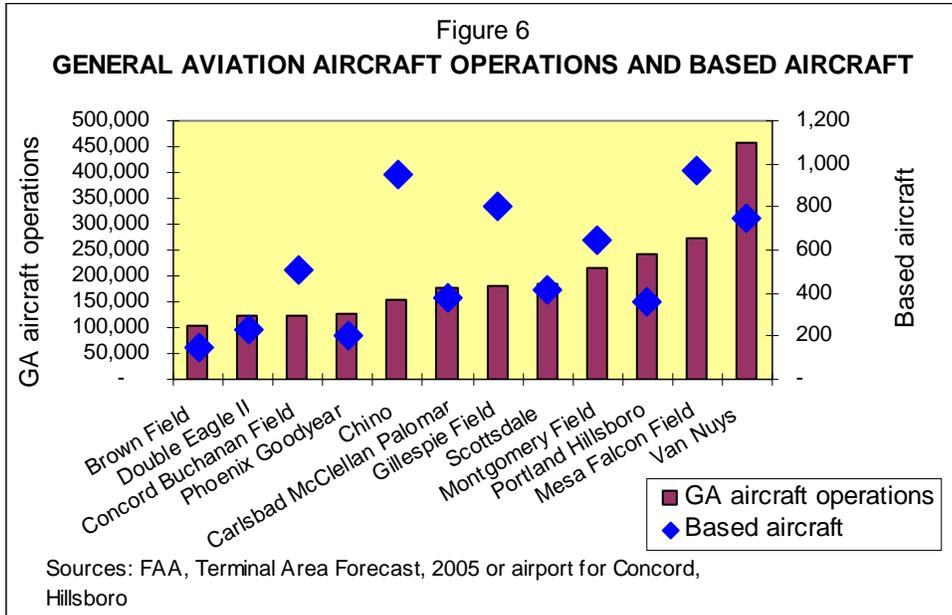
1. Carlsbad McClellan Palomar (CRQ)
2. Chino (CNO)
3. Concord Buchanan Field (CCR)
4. Double Eagle II (AEG)
5. Gillespie Field (SEE)
6. Mesa Falcon Field (FFZ)
7. Phoenix Goodyear (GYS)
8. Portland-Hillsboro (HIO)
9. Scottsdale Airport (SDL)
10. Van Nuys Airport (VNY)

Key Findings

The following comparative metrics were used for the benchmarking analysis and are summarized in Table 5 unless described below:

1. **Overall level of general aviation aircraft operations and based aircraft.** As shown in Table 5 and Figure 6, Montgomery Field is towards the high end of the

comparative range in terms of both operations and based aircraft, whereas Brown Field is at the low end of the range in both categories. This is consistent with aeronautical data results at both Airports.



2. **Percentage nonaeronautical of total revenues.** Montgomery Field’s percentage of aeronautical revenues is towards the low end of the range of comparative airports, whereas Brown Field’s percentage is significantly lower than the range of comparative airports, principally as a result of the lack of aeronautical lease development at that Airport.
3. **Aeronautical revenues per aircraft operation.** Montgomery Field’s percentage of aeronautical revenues per aircraft operation is towards the low end of the range of comparative airports, whereas Brown Field’s revenue level is significantly lower than the range of comparative airports.
4. **Aeronautical revenues per based aircraft.** Montgomery Field’s percentage of aeronautical revenues per based aircraft is towards the low end of the range of comparative airports, whereas Brown Field’s percentage is significantly lower than the range of comparative airports.
5. **Total staff.** Montgomery Field’s number of total staff (10) is within the range of comparative airports, whereas Brown Field’s total staff (7) is towards the low end of the range of comparative airports. The total staff number was allocated to each airport as follows:
 - a. Of the 17 Airports Division staff, 4 operations staff are assigned to each airport, a total of 8 operations staff.

- b. Of the remaining 9 executive and administrative staff, it was assumed that 70% of their time (equal to about 6 staff) was assigned to Montgomery Field, with the remaining time (equal to about 4 staff) was assigned to Brown Field.
6. **Total operations staff.** Montgomery Field and Brown Field have the same number of operations staff and are within the range of comparative airports.
7. **Labor expense per employee.** Montgomery Field's revenue per employee is towards the high end of the range of comparative airports while labor expense per employee is within the range. Brown Field's revenue per employee is toward the low end of the comparative range and labor expense is lower than Montgomery Field but within the range of comparative airports.
8. **Operating expenses per acre.** Montgomery Field's operating expense per acre is towards the high end of the range of comparative airports, consistent with the complexity of the airfield, whereas Brown Field's operating expense per acre is towards the low end of comparative airports. While it is stated elsewhere that Brown Field's revenue generation is low compared to other airports, the Airport does not incur high operating expenses compared to most other airports.

Conclusion

The benchmarking analysis generally supports the conclusions of the financial audit, in that whereas Montgomery Field's economic results suggest performance within a range that is comparable to other airports, Brown Field's economic results suggest performance at the low end of the range in comparison to other airports, notwithstanding its relatively low operating expenses. Key recommendations to enhance business activity at the Airports are summarized in the next section, Business Strategy Development.

Table 5 Airport Benchmarking Data

Airport	Total revenue	Total aero revenue	Total aero revenue as % of total	Total aero revenue per GA aircraft operation	Total aero revenue per based aircraft	Total staff	Total operations staff	Total exec./ admin. staff	Total revenue per staff	Airport Surface Area (acres)	O&M expenses	O&M expenses per acre	Labor Expenses per employee
Brown Field (SDM)	1,292,744	344,463	27%	3.30	2,343	7	4	3 (a)	190,109	850	1,386,780	1,632	73,760
Montgomery Field (MYF)	2,872,114	1,245,488	43%	5.70	1,928	10	4	6 (b)	350,258	549	1,737,734	3,165	105,849
Carlsbad McClellan Palomar (CRQ)	2,071,769					8	6	2 (c)	261,697	1,097	839,676	765	
Chino (CNO)	2,729,402	1,225,836	45%	9.90	2,399	11	5	6 (d)	257,491	495	2,452,187	4,954	131,926
Concord Buchanan Field (CCR)	63,525	63,525		0.50	277	4	3	1	16,288		276,871		42,947
Double Eagle II (AEG)													
Gillespie Field (SEE)	2,081,496					9	4	2		640	2,081,496	3,252	78,676
Mesa Falcon Field (FFZ)													
Phoenix Goodyear (GYR)	2,416,852	1,590,604	66%	6.50	4,382	5	2	3 (e)	537,078	928	1,977,533	2,131	
Portland Hillsboro (HIO)	3,009,957					12	7	5	250,830	300	1,418,000	4,727	
Scottsdale Airport (SDL)													
Van Nuys Airport (VNY)													

Sources: Respective Airport.

- Comprises 1 Airport-assigned staff plus a 30% allocation of 7 City of San Diego Airports Division staff. Individual airport managers are assessed as operations staff.
- Comprises 1 Airport-assigned staff plus a 70% allocation of 7 City of San Diego Airports Division staff. Individual airport managers are assessed as operations staff.
- Comprises 1 on-Airport staff plus a 1/6 allocation of 5.5 San Bernadino County Airports full time equivalent staff. There are 6 airports operated by the County.
- Comprises a 70% allocation of 8 Airports Division staff to that airport.
- Comprises a 50% allocation of 5 Port of Portland staff – 3 General Aviation Department and 2 other Port of Portland employees - to Portland Hillsboro airport.

F. BUSINESS STRATEGY DEVELOPMENT

It is important to recognize that the development of a strategy in itself will not deliver performance improvement. We strongly recommend that the Airports Division consider not just the merits of a business strategy, but focus initially on the organization and process required to deliver improvement. The City has stated they wish the Airports to be run on a more business-like footing.

Business Planning Framework

The Airports Division needs to instigate changes in planning, process, and organization that will allow it to actually operate more as a business. We would suggest the following:

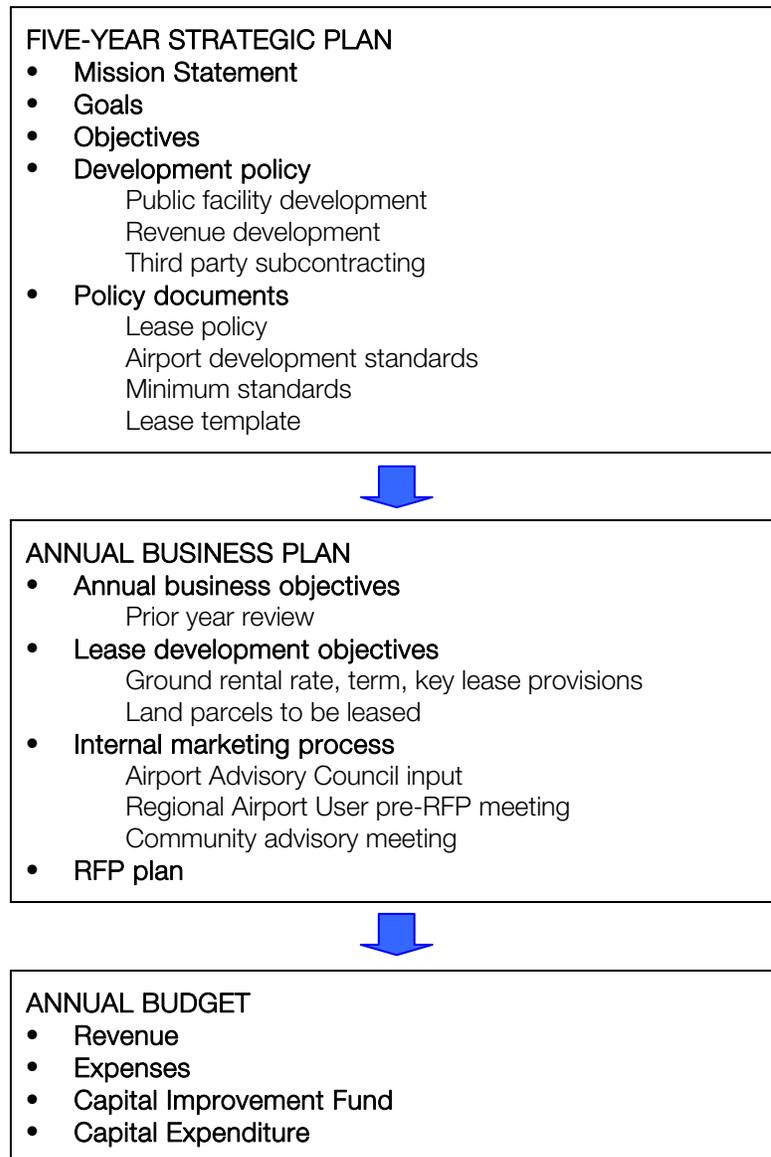
- **Strategic Plan.** We recommend that the Airports Division start with a re-appraisal of its central mission and define a set of key goals and objectives in consultation with staff, stakeholders, and the community. We would suggest that clear achievable 5-year goals are established for both the external and internal dynamic to ensure a balanced perspective is reflected in the decision-making process.
- **Organization.** The organizational changes proposed in this report should be reviewed in the light of the strategic plan and adjusted to ensure that the structure in place is fully able to deliver the Airports Division's mission and core objectives. Once in place, it is important that the organization is held accountable for its delivery and performance.
- **Decision-making.** The Airports Division should work with the City to implement a more devolved decision-making hierarchy that will allow management to instigate change and have meaningful engagement with tenants. It is important that decision-making authority and chain of command is explained and understood by tenants to help facilitate productive discussions.
- **Process.** In addition to the development of Master Plans for both Airports, the Airports Division should work with the City to develop a standard lease template and rates and charges methodology that is consistent with the objectives that have been set in the strategic plan. This will provide a framework for the Division to objectively evaluate bids in a competitive RFP process.

It is important that the whole planning and lease process is transparent and effort is put into communicating the objectives and rationale to tenants. Although the resulting decisions may not command universal agreement from tenants, an open process with clear parameters should at least ensure greater trust and understanding and provide more effective engagement between management and tenants.

- **Business Planning.** The Airports Division should institute a formal annual business planning process, similar to that shown on Figure 7, that (based on the strategic goals) sets specific objectives and budgeted action plans for the coming

year. Once approved by the City, management should be given the authority to deliver the plan. Responsibility for delivery should be devolved to staff and performance measures identified to track progress and ultimately hold key individuals within the Division to account for delivery.

Figure 7
BUSINESS PLANNING PROCESS



Business Action Plan

In the context of the overall business planning framework suggested, we would make the following specific recommendations.

- 1. Devolved Decision Making and Accountability.** The Airport's leasing process (including RFP design, issue and decision, lease development) needs to be substantially expedited, to show responsiveness to the tenant community and to commercial practices and timelines. In general, while the single biggest issue facing the Airports is that the Director of Airports has insufficient authority to make decisions, it is concluded that this has most effect in the area of business and lease development.

It is recommended that the City delegate control over lease development to the Director of Airports, and enhance the ability of the Airports Commercial Manager and Property Manager to secure any administrative requirements from other City agencies. A recommended tool to provide such delegation would be (a) a five-year strategic plan with (b) an annual business plan, approved by the City, that would give the Director of Airports the ability to renew leases using a pre-established lease template, but within guidelines and process previously agreed to by the City. The devolvement of decision-making authority needs to be accompanied by greater accountability for delivery.

The Airports Division should develop leasing and development standards to meet City requirements and reduce the need for the City's lease approval process.

Internally, Airports Division should also:

- Revise and publish minimum standards
 - Produce airport development and minimum standards to guide developers and ensure quality FBO and other tenant developments
 - Develop a master aeronautical and nonaeronautical lease template
- 2. Credible Business Strategy and Lease Policy.** At present, there is no identified management function to facilitate business development. The creation of such a position would provide impetus to a business focused management approach, although a new hire is not necessarily required. We would recommend that a business development team, including senior operations, commercial, community, and planning management, should be formed to proactively manage existing assets, revenue streams, develop negotiate or renegotiate available space, and address the key issues and decisions facing the Airports.

Key initial actions include, as also summarized in the Five-Year Strategic Plan:

- Initiate RFP process for key property development efforts
- Develop lease policy achieving main objectives of:

- Commercial market-oriented leasing approach
 - Public approach
 - Striking balance between revenue generation and encouraging aviation activity.
 - Updated minimum standards
- Set up aviation development section on website. The recent Gillespie Airport RFP is one useful template.
3. **Community and Environmental Action Plan.** Business and residential encroachment are active challenges to continued airport operations at both Airports. In particular, (a) residential development around Brown Field (corporate activity at Brown Field currently benefits from not having a curfew, but this could be challenged), (b) commercial development around Brown Field, as outlined by the Otay Mesa Community Plan Update, and (c) the potential outcome from Airport Land Use Compatibility Plans (ALUCP) being created by the San Diego County Regional Airport Authority could impact future airport development.
- Noise-sensitive arrival and departure route color handouts for pilots (also downloadable from Airport website)
 - Mail out Airport newsletter to surrounding business and residential communities, emphasizing:
 - Attention to noise and safety issues for residential and business community
 - “First responder” role of airport safety users for residential community
 - Convenience of corporate aviation use for business community
 - Investment made by FAA plus economic impact of Airports to business community
 - On-airport activities and facilities, including airport open days
 - Airport management and tenant/business services directory—on website and circulated to all tenants
 - Joint publicity with essential public services (e.g., police, fire, sheriffs at Brown Field, Air National Guard, Navy and Border Patrol at Brown Field)
 - Active participation at community groups (e.g., Otay Mesa Planning Coalition)
4. **Montgomery Field Business Development.** Consistent with the Master Plan, develop an aeronautical business leasing plan, incorporating:
- Corporate aviation campus, comprising “flagship” FBO, combined specialty aviation business area (including an avionics shop), and corporate aircraft hangars. Develop RFP for area redevelopment.
 - Public row and T-hangar area.
 - Deconfliction of helicopter and fixed-wing operations to the maximum extent possible.
 - Negotiate with Crown Aviation to upgrade FBO facilities

5. **Brown Field Business Development.** Develop a land use and facility development plan as a precursor and input to the intended master planning process, incorporating:
- Corporate hangar and aircraft base development. There are a significant number of corporations for desirable home space available at Brown Field. Also, about 25% of corporate business is from fractional operators.
 - Landscaping plan
 - FAA engagement and plan approval, including re-authorization to conduct nonaeronautical development
 - Long-term nonaeronautical development marketing, complementary to surrounding regional growth (e.g., hotel, commercial space)