JACOBS
CONSULTANCY

REPORT

EVALUATION AND ASSESSMENT OF FORT WORTH MEACHAM INTERNATIONAL AND FORT WORTH SPINKS AIRPORTS

Prepared for

The City of Fort Worth
Fort Worth, Texas

November 2009

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Chicago • Cincinnati • Dallas • London • Ottawa • San Francisco • Washington, D.C.

EXECUTIVE SUMMARY

The goal of the City of Fort Worth Airports is to be the principal general, corporate and specialty aviation services provider for the western Dallas/Fort Worth metroplex. For the purposes of this evaluation and assessment, Fort Worth Meacham International and Fort Worth Spinks airports are considered; Fort Worth Alliance Airport, which is owned by the City of Fort Worth but operated separately, is not included in this evaluation and assessment.

In order of importance, the recommended management actions that could improve the management and operational efficiency of Fort Worth Meacham International and Fort Worth Spinks airports (the City of Fort Worth Airports or the Airports) in support of this goal, are as follows:

1. **Articulate Airport Business Objectives.** The Airports' business objectives need to be clearly articulated and could include revenue enhancement and incremental progress in achieving market rates, leasing additional land, and cost-effective capital development.

2. **Maintain Professional Management Continuity.** The Airports have had significant turnover in the Airport System Director and individual Airport Manager positions. In addition, the City has used several "downtown" City employees from time to time to help run the Airports. Where these staff may be highly competent, the fact that they do not have prior airport experience or qualifications means that when employed in senior specialist functions – such as Capital Program Specialist or lease manager – there is a substantial training requirement by existing Airports staff, and once trained, no certainty that there is a long-term commitment to airport employment given the alternative of a return to other city roles. Maintaining continuity going forward with "professional" airport management is paramount.

3. **Promote Management Autonomy.** The Airports should have more autonomy in management, particularly regarding financial, leasing, personnel, and procurement decisions. While there is a need to have a transparent and competitive procurement process, it is recommended that the organization of the contracts be changed to give Airports management the ability to utilize longer-term on-call contracts. For example, a recent curb adjustment at Spinks required about 10 months between issuing a request for proposals (RFP) and project completion (a project that could have been accomplished in one week). Similarly, while the Airports are required to hire staff from other City Departments, Airports management should be permitted to hire from the wider airports or aviation community for all positions, given the value of airport-specific experience.

   It is also important that the management decision process be better documented and formalized; a common tenant complaint is that a lack of documentation and management turnover has effectively buried or obscured the reasoning of certain past management decisions.

4. **Improve the Business Relationship Between Airports and Tenants.** It is important that the lease approval process be led by Airport management and that while final approval by the City/City Council may still be required, any lease negotiations that do not meet commercial requirements established by Airports management may be terminated by Airports management. 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. Establishing "clear parameters" seems to have the support of Airports management, Airports' tenants, and City administration.

5. **Overall City Budget/Fiscal Problems.** The City has estimated that it may have an approximate $60 million budget shortfall for 2010. As an Enterprise Fund of the City of Fort Worth (the City), it is critical that the Airports demonstrate their financial self-sufficiency. For the past several years, the Airports have collectively recorded positive operating net revenues, taking into account (a) operating expenses, (b) long-term capital costs and (c) City overhead expenses allocated to the Airports. The overhead expenses should include appropriate assessment of staff benefits including pension liabilities. Based on financial data, the Airports are currently financial self-sufficient despite:

   – The existing lease arrangements, some of which could be improved.
   – The current economic downturn.

   In addition, there is strong revenue development potential at the Airports which should further enhance the Airport's financial self-sufficiency.

   It should also be noted, in accordance with the Federal Aviation Administration (FAA) Reauthorization Act of 1996, all revenues generated by or at the Airports, must be used for the capital or operating costs of the Airport System. This includes gas well revenues.

6. **Increase the Independent Commercial Management Role of the Airport Managers.** Historically, optimal commercial arrangements have been hamstrung by a lack of Airport management independence regarding commercial decisions. Parallel with improving the Airports and Tenant business relationship, the Airports would benefit from increasing the commercial management role of the individual Airport Managers in order to enhance the overall profile of this function, including business development, customer relations, and promotional activities for the Airports.

7. **Improve Marketing and Airport Branding.** The Airports could improve their regional and national marketing efforts and develop an airport brand as the principal airports serving the west Dallas/Fort Worth metroplex. Good examples of regional "flagship" general aviation airports include Scottsdale (Arizona), Sugarland (Texas), and Teterboro (New Jersey). Airports should also communicate their

value internally to local and regional political leaders, including economic impact and property tax revenues.

8. **Implement Facility Development Planning to Support Business Objectives.** Past facility development at the Airports has been haphazard and not integrated with an overall strategic Airport plan. Also, certain of the major FBO aircraft handling areas at Meacham cannot handle aircraft larger than Aircraft Design Group 2 (up to a 79-foot wingspan). Additionally, design standards were not enforced in the northeast hangar area at Spinks, resulting in inadequate clearances between buildings and taxilanes, and mixing of vehicle roadways with aircraft movement areas. Also, minimum standards have not generally been enforced in the past; both are important to improve safety, functionality, and consequently, the marketability of the Airport.

9. **Develop Variable Lease and Land Use Zoning Strategy**. It is important that, as new leases are developed, the Airports strive to assess market-based lease rates for the land, services, and facilities the leases would govern. Based on location and intended use (e.g., corporate versus recreation or training general aviation), certain areas of the Airports could support higher market valuations than others. The Airports are currently developing a Zone Redevelopment Plan to update the existing Airport Layout Plan; we recommend that the Airports continue 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 Airports could optimize aviation lease revenue while ensuring that the Airports can continue to support a mix of corporate, business, and private aviation activity.

   Historically, FBOs have acted as developers for their specific sites, with Airports Management acting as landlord. However, over time certain of these leases will revert to the Airport, requiring Airports Management to make development decisions. Also, there is a need to ensure that future development is done in an integrated way, requiring that Airports Management make overall Airport development decisions more proactively.

10. **Maintain and Improve Community Relations Activities.** The Airports are recognized as being attentive to community needs. Given existing and expected residential and commercial growth in Fort Worth, 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.

11. **Prepare a Strategic Business Plan.** The opportunity exists to articulate the key business goals and objectives of the Airports that would serve as a road map for the future and enhance the business focus within the Airports. We recommend that this be tied to 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/autonomy to the Airports within the framework of a City supported overall plan.

Conclusions

Our evaluation and assessment of the Airports resulted in the following findings:

- The Airports are financially self-sufficient, with significant opportunities to enhance revenues.
- The Airports compare favorably to other general aviation airports in key operating and financial metrics (see Benchmarking).
- While authorized to have 27 full-time positions, a reasonable level, the Airports are operating with approximately 19 employees. At this level of employees, the Airports are operating in a mode that is more reactive than proactive.
- The Airports have a unique funding source for capital improvements (gas well revenues). This significantly improves the Airports' ability to proactively develop facilities and improve their competitive positions in the marketplace.

Finally, while the City has contemplated the possibility of outsourcing the management of the Airports, we could find no compelling reasons to do so. Generally, outsourcing is considered as an alternative in the following circumstances:

- Where the Airport(s) require a general fund subsidy for ongoing operations.
- Where there are subsequent development/capital needs and the Airport(s) or their sponsor cities do not have adequate funding sources.

Again, the Fort Worth Airports are operating profitably and have adequate funding sources for future investment and capital development.

A. INTRODUCTION

Jacobs Consultancy was retained by the City of Fort Worth to undertake an Evaluation and Assessment of its Airports. The scope of work includes a review of the Airports' organization, operations, financial standing, and business strategy with the following objectives:

- Establish clear financial and management criteria on which the Airports should be operated
- Provide a forward-looking management action plan that guides Airports Management
- Enhance Airport revenues and better utilize important City assets
- Continue to sponsor operation of general aviation airports effectively and improve their efficiency in the marketplace for their passengers, customers, and community

To ensure that this analysis is comprehensive, extensive consultation has been undertaken with City representatives, Airports staff, Airport tenants, and community stakeholders (as represented by the Blue Ribbon Task Force).

This report is organized as follows:

B. Initial Assessment and Definition of City Objectives—summarizes strategic goals and specific business objectives, including City financial objectives regarding the Airports, which could include but not be limited to:

- Cost containment and expense reduction.
- Airport marketing and business development.
- Lease management and enhancement of revenues, including opportunities to maximize rates, fees and charges.
- Management and implementation of capital expenditures (capex).

We also performed the following key tasks:

- Collected benchmark and operational data from other Airports in preparation for the Airport financial assessment and benchmarking tasks, discussed later
- Studied Airports operations and reviewed City information for a SWOT (strengths, weaknesses, opportunities, threats) analysis: goals, challenges, organizational charts, operating procedures, and financial records
- Assessed competitive market environment and challenges
- Met with the Airports' Blue Ribbon Task Force

C. **Airport Financial Assessment and Objectives**—summarized the Airports' historical financial data and Airport management interviews regarding historical, budgeted, and projected revenue and expenses at the Airports, including focus on key revenue drivers (e.g., hangar development, lease rates) and cost issues, including staffing and maintenance levels.

D. **Airport Benchmarking**—summarized the results from an analysis of operational and maintenance functions to identify opportunities for performance improvement.

E. **Organization and Performance Evaluation** —summarized the findings related to the development and evaluation of Airport business performance measures.

F. **Business Strategy Development**—summarized key business issues that highlight the environment in which the Airports operate, identified the key strategic issues that should be evaluated, and investigated potential ways to address those factors.

B. INITIAL ASSESSMENT AND DEFINITION OF CITY OBJECTIVES

This section summarizes management goals and business objectives, the SWOT analysis, customer service issues, aviation market issues, and economic issues. City financial objectives regarding the Airports may include the following:

1. Cost containment and expense management.
2. Development of a cohesive facilities development and land use plan for each Airport (currently underway through the Zone Redevelopment Plan).
3. Airport marketing and business development.
4. Lease management and enhancement of revenues, including opportunities to conform rates, fees and charges to market levels, where appropriate.
5. Management and implementation of capital expenditures (capex).

We also performed the following key tasks:

- Collected benchmark and operational data
- Studied Airport operations and reviewed City information for a SWOT analysis: goals, challenges, organizational charts, operating procedures, and financial records
- Assessed competitive market environment and challenges

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 Fund of the City of Fort Worth, the Airports are a financially self-sufficient operating unit. At present, the Airports collectively have positive net operating revenues.
2. Facilitate future growth in general aviation activity.
3. Position the Airports to respond to future development opportunities (aeronautical and nonaeronautical) in the Fort Worth area.

Objectives

1. Improve lease and business development process by ensuring that the Airport System Director has the autonomy to develop leases and set rates and charges.

2. Improve Airport business development function, particularly through a more focused commercial management function, and by lease development and Airports marketing.

3. Update minimum standards to ensure appropriate management and supervision of specific Airport users including (a) public use hangars, (b) FBOs, (c) hangar operators and (d) Specialized Aviation Service Operators (SASOs).

4. Develop new nonaeronautical leases to enhance revenues (as may be appropriate), once aeronautical needs are met and the FAA confirms acceptability. Gas well revenues are a major non-aeronautical revenue source at present. [Few, if any, GA airports have this kind of revenue source]

5. Manage capital development programs in accordance with land use plans, including the ability to evaluate the relative advantages of Airport-funded developments versus possible third-party developments, through the use of financial metrics such as net present value (NPV) or return on investment (ROI).

Planning Goals

Goal

1. Develop cohesive Airport land use plans to manage growth in an integrated manner. [This is currently under way with the Zone Redevelopment Plans.]

2. Integrate facility planning with business development needs.

3. Communicate planning objectives with FAA and Texas Department of Transportation (TxDOT) to ensure that funding is available.

Objective

Following the current preparations of Zone Redevelopment Plans:

1. Develop a long-term Airport Land Use and Facilities Plan for Fort Worth Meacham that supports growth for high-revenue categories (e.g., corporate aviation, MRO) while preserving uses for lower-revenue categories (e.g., recreational).

2. Develop a long-term Airport Land Use and Facilities Plan for Fort Worth Spinks that preserves prime land areas for future corporate aviation use.

Customer Service

Goals

1. Respond to concerns or perceptions as to how the Airports have been managed in the past, including issues relating to lease management. [There is a sense that the Airport System Director and respective Airport Managers have made significant progress in this area.]

2. Continue to improve relationships with tenants and stakeholders, including a renewed sense of communication and cooperation with a plan that has the support of Airport stakeholders.

3. Establish criteria by which Airport management respond to tenant issues, including the long-term viability and self-sufficiency of the Airport operation, fairness, and the effects of decisions on the entire Airport community vs. single tenant perspective. Such decisions should be clearly documented.

Objectives

1. Continue to improve tenant and community interaction.

Strengths, Weaknesses, Opportunities, and Threats Analysis

This section summarizes strengths, weaknesses, opportunities, and threats for each Airport and the Airports 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.

Fort Worth Meacham International

Strengths	Weaknesses
1. Central location and road links (I-820, Meacham Blvd.). 2. Long-established presence. 3. Good airfield facilities (Runway 16/34: 7,501x 150 ft.). 4. Financially self-sufficient. 5. Diversity of airport based businesses and aircraft, including MRO. 6. Tenant/airport management relationship and communication. 7. Geographical location (adjacent to major interstate and Main Street leading to downtown Fort Worth, significant population growth in region). 8. Good overall reputation from general public.	1. Existing long-term tenant contracts. 2. Inadequate employee experience or skill set. Majority of employees with no airport experience due to the City's goal of hiring from within the City work force. 3. Limited undeveloped space and inefficient past use of land due to ad hoc development planning and tenant-driven development decisions. 4. Inefficient airfield development due to ad hoc planning. 5. No basic management systems in place, (e.g., pavement management system, training programs). 6. Inadequate organizational skills of maintenance staff. 7. Costly to expand building areas. 8. Infrastructure deteriorated from years of neglect and deferred maintenance. 9. Very high employee turnover, including management.
Opportunities	**Threats**
1. Hiring and retaining experienced personnel for specialized Airport positions. 2 Revenue enhancement through renegotiated tenant contracts. 3. Pursue lease buyouts for undeveloped land with no contractual development requirement. 4. Streamlining or releasing the Airport department from select City processes in order to increase efficiency, improve tenant complaint response time, and reduce operating costs (i.e., personnel and procurement). 5. Short and long-term development and redevelopment planning of Airport property. 6. Development of basic Airport systems in order to improve and maintain the Airport's assets.	1. Loss of knowledge through workforce attrition caused by reoccurring City review for Airport privatization, selling, or outsourcing. 2. Inadequate support from City management during the negotiation process leading to insufficient long-term income. 3. City management influencing Airport management decisions based on political motives. 4. City management openly supporting or "siding" with Airport tenants, thereby undermining Airport management decisions. 5. City employees placed in specialized Airport positions with little or no experience. 6. Downturn in MRO activity.

Fort Worth Spinks

Strengths	Weaknesses
1. Good aeronautical facilities – 6,002 ft. runway. 2. Substantial gas well royalty revenues. 3. Good road links (I-35, Alsbury Blvd.). 4. Located within large metroplex and local area that is undergoing growth. 5. Favorable lease rates. 6. Uncongested surrounding area.	1. Expenses exceed operating revenues. 2. Low market profile and dependence on light general aviation. 3 Small number of established on-Airport businesses. 4. Targeted infrastructure improvements could help with future development. 5. Limited airside signage and lighting.
Opportunities	**Threats**
1. Growing population in south Fort Worth. 2. Near-term facility developments supportive of corporate general aviation activity: a. ARFF facility. b. Runway extension to 7,000 ft. 3. Significant developable land. 4. Proximity to Dallas Cowboys' Stadium. 5. FAA funding expected from Contract Tower program	1. Heavy competition from established area airports. 2. Vulnerability of cost-share air traffic control tower. 3. Tenants' reluctance for change and benefitting from relatively low lease rates.

Airport System

Strengths	Weaknesses
1. Significant revenue for Airports development. 2. Available land for development. 3. Management team with Airport professionals. 4. Recently improved tenant/Airport management relationship and communication. 5. Diversity of the Airport System's three airports. 6. Consistent short and long term airport planning. 7. Airports contribute large economic impact to the area. 8. Favorable weather. 9. Airports are evenly spread throughout Fort Worth. 10 Good location in DFW metroplex with expected population growth. 11. Organizational Structure of Department. 12. Gas Well revenues.	1. Below-market long term leases. 2 Inefficiencies due to required City processes, (e.g., City agreements, M & C procurement approval process, hiring process). 3. Significant staff turnover and hiring of non-airport staff. 4. Increased operating expenses due to procurement requirements such as purchasing through a City agreement irrespective of cost. 5. City management understanding and support of the Airport System and its contributions. 6 Loss of knowledge through workforce attrition caused by reoccurring City review for airport privatization, selling, or outsourcing. 7. Intra-system airport competition. 8 Through the fence operations. 9. Additional training needed for staff. 10. Deteriorated infrastructure.

Opportunities	Threats
1. Increase rates and charges when able. 2. Establish and maintain relationships with critical governmental organizations for increased funding opportunities (e.g., TxDOT Aviation, TxDOT Roads, and FAA). 3. Increased support from City management staff in Airport System management decisions. 4. Increase efficiency and quality of service to Airport tenants by hiring personnel with airport experience – from airport management to airfield maintenance. 5. Increase City management's knowledge and understanding of the Airport System. 6. Knowledgeable/qualified staff. 7. Abundant developable or potentially developable land. 8. Generally supportive tenants. 9. Potential Heliport facility in downtown area. 10. Potential for properties to be acquired. 11. Cooperation with area airports for Super Bowl attendees.	1. Loss of knowledge through workforce attrition caused by reoccurring City review for airport privatization, selling or outsourcing. 2. Lack of support from City management during the lease negotiation process, resulting in lower revenue levels than could be achieved with rates set to market levels. 3. City management influencing Airport management decisions based on political motives (e.g., tenant connections, pressure). 4. City management openly supporting or "siding" with Airport tenants, thereby undermining Airport management decisions. 5 City employees placed in specialized Airport positions with little or no experience. 6. Rising aviation fuel costs. 7. Limited FAA/TxDOT funding. 8. Competition from other GA reliever airports in the metroplex. 9. Worldwide economic downturn and its affects on general aviation. 10. Airport management's decision making authority on personnel and finance matters within current City government operating environment is limited.

Customer Service Issues

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

1. Airports staff does not appear to have the final authority to make commercial (principally leasing) decisions.

2. Certain aircraft storage areas at Meacham and Spinks are poorly laid out which could result in congestion and safety issues.

3. Basic Airport information has not been made available, including:

   – Staff and tenant directory
   – Minimum standards and development standards require an update

Aviation Market Issues

Major aviation market issues affecting the Airports include:

Fort Worth Meacham International

1. Fort Worth Meacham International benefits from a central geographic location and is the closest general aviation airport—about 5 miles—from downtown Fort Worth, with good access to regional population and business centers.

2. While there has been significant aeronautical lease development at the Airport, mechanisms are not in place to ensure rate escalation reflective of market conditions. In addition, there is an absence of a cohesive aeronautical land use or business development plan, which has resulted in ad hoc and haphazard business development at the Airport. There has been no significant review of what the overall aeronautical development should look like. Currently, this is being addressed with the Zone Redevelopment Plans.

3. There is a significant portion of Fort Worth Meacham International (eastside) that has yet to be developed. Future land development should be focused as follows:

   – For high-end uses that support the long-term role of the Airport as the principal general and specialty aviation hub for the eastern Dallas/ Fort Worth metroplex – including corporate aviation, MRO, and aircraft basing.

   – In a phased manner that allows iterative leasing of parcels to provide a range of activity, at market rates appropriate to each stage of development.

4. Commercial passenger and cargo airline service. It is not recommended that these service areas be developed at the Airport, given the high level of regional competition as well as existing facilities at Fort Worth Alliance Airport, which is also owned by the City. In addition, any attempts at such development would distract management and divert resources from core business development areas.

Fort Worth Spinks

1. Fort Worth Spinks is located about 14 miles from downtown Fort Worth and as such, is less central. Fort Worth Spinks's extensive available leaseable space, balanced by its less optimal location (as compared with Fort Worth Meacham International) makes it a good candidate for recreational and training activity in the short-term, with space for corporate aircraft support or aircraft manufacturing activity being reserved for the future.

2. Corporate Aviation Services. Apart from the existing FBO, Spinks has limited on-Airport services to support corporate aviation growth and requires development of these services in order to transition from being a principally piston-engine service general aviation airport. Development of maintenance and other SASOs would support corporate basing.

3. Airfield rescue and firefighting, runway, road and utilities extensions. Development of these facilities would be beneficial for development of corporate aircraft basing and longer-term development of corporate activity.

4. Spinks also offers available space for current and potential tenants at Arlington Municipal Airport.

Airport System

1. The ability to manage demand between two airports is a strong positive for individual airport business development—particularly in channeling higher-revenue tenants who value the Meacham location while increasing use of Spinks through more competitive leases.

2. Similarly, from an Airport System perspective, the ability to shift different types of development between the Airports for optimal use of capacity and revenue generation is a powerful advantage.

Economic Issues

The regional economy affects the Airports, as follows:

1. **Fort Worth Meacham International.** Fort Worth Meacham International is the closest general aviation airport to downtown Fort Worth and is surrounded by significant economic and business development. This activity impacts the Airport in the following ways:

   – Increases the potential for constrained aeronautical activity.

   – Increases demand for corporate activity.

   – Encourages interaction with local business community.

2. **Fort Worth Spinks.** Fort Worth Spinks is further from downtown Fort Worth 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.

Economic Impact

As summarized in Table 1, the Airports together provided almost $1.7 billion in economic impact to the Fort Worth area in 2005, and aviation activity has increased at all Airports since that time. As such, the Airports are a major asset to the region and continued development of this economic impact requires attention to business development.

Table 1
ECONOMIC IMPACT
City of Fort Worth Airports

Airport	Total employment	Total payroll	Total output *(a)*
Fort Worth Meacham	2,497	$ 93,762,000	$ 379,920,000
Fort Worth Spinks	138	3,896,000	17,768,000
Fort Worth Alliance	8,677	297,643,000	1,311,172,000
Total	11,312	$395,301,000	$1,708,860,000

(a) Includes employment, payroll, goods, services, and capital expenditures that can be linked to the Airports.

Source Texas Department of Transportation, "Economic Impact of General Aviation in Texas". Data are for 2005.

Collectively, the Airports are one of the largest economic engines to the greater Fort Worth Community.

C. AIRPORT FINANCIAL ASSESSMENT AND OBJECTIVES

The financial assessment is discussed below in terms of financial parameters, by-Airport operating revenue and expense data, and performance benchmarking. This section reviews the Airports' historical financial data and results of Airport management interviews regarding historical, budgeted, and projected revenue and expenses at the Airports, including focus on key revenue drivers (e.g., hangar development, lease rates) and cost issues, including staffing and maintenance levels.

Financial Parameters

Table 2 summarizes recent historical and budgeted operating revenue and expense data for the Airports for the period 2006 through 2009 (budgeted). As shown, the Airports had positive net operating revenues collectively in all years. Administration revenues include FAA Lease Revenue, revenue share from Fort Worth Alliance International Airport and intra-fund transfers. In 2009, the two total Airports' revenues were budgeted to be about $2.5 million; total revenues for Fort Worth Meacham International were about $2.2 million, about 90% of total revenues, and Fort Worth Spinks about $0.24 million, or about 10% of total revenues.

Table 2
FINANCIAL DATA
Fort Worth Meacham International and Fort Worth Spinks Airports

	Historical			Budgeted	CAGR*
	2006	2007	2008	2009	2006-2009
TWO-AIRPORT SYSTEM					
Operating Revenues					
Fuel flowage	$ 445,664	$ 483,339	$ 511,088	$ 506,800	4.4%
Landing fees	1,017	9,476	306	--	--
Land (improved)	140,510	143,931	158,287	163,503	5.2
Transient aircraft parking	20,444	13,559	1,357	--	(100.00)
Terminal Building	195,551	203,355	336,520	345,600	20.9
Hangar	567,554	610,618	636,320	632,000	3.7
Other building revenue	394	3,685	19,372	9,200	185.8
Land (unimproved)	624,175	602,072	643,789	695,000	3.6
Miscellaneous	782	12,059	1,307	--	(100.00)
Miscellaneous leasehold	68,204	115,372	52,967	99,800	13.5
Total	$2,064,295	$2,197,466	$2,361,313	$2,451,903	5.9%
Operating Expenses					
Salaries	$ 541,668	$ 626,155	$ 734,616	$ 824,721	15.0%
Fringe	384,840	416,798	309,642	263,911	(11.8)
Supplies	136,199	530,699	125,843	99,000	(10.1)
Utilities and contracts	507,060	574,976	424,205	577,939	4.5
Total	$1,569,767	$2,148,628	$1,594,306	$1,765,571	4.0%
Net Operating Revenues	$ 494,528	$ 48,838	$ 767,008	$ 686,332	11.5%
ADMINISTRATION					
Net Revenues	(485,237)	228,025	1,819,846	(665,328)	
TWO-AIRPORT SYSTEM MINUS ADMINISTRATION					
Net Revenues	$ 9,291	$ 276,863	$2,586,854	$ 21,004	

Table 2 *(page 2 of 2)*
FINANCIAL DATA
Fort Worth Meacham International and Fort Worth Spinks Airports

	Historical			Budgeted	CAGR*
	2006	2007	2008	2009	2006-2009
FORT WORTH MEACHAM					
Operating Revenues					
Fuel flowage	$ 418,336	$ 451,108	$ 477,258	$ 470,000	4.0%
Landing fees	1,017	9,476	306	--	--
Land (improved)	135,501	138,981	154,410	157,600	5.2
Transient aircraft parking	20,444	13,468	1,083	--	(100.0)
Terminal Building	195,551	203,355	336,520	345,600	20.9
Hangar	490,344	529,741	553,095	542,900	3.5
Other building revenue	394	414	--	--	(100.0)
Land (unimproved)	585,545	541,420	574,603	611,200	1.4
Miscellaneous	15	6,875	150	--	(100.0)
Miscellaneous leasehold	41,734	98,558	39,752	87,100	27.8
Total	$1,888,881	$1,993,396	$2,137,177	$2,214,400	5.4%
Operating Expenses					
Salaries	$ 447,399	$ 514,399	$ 611,867	$ 633,037	12.3%
Fringe	189,082	219,295	281,801	213,045	4.1
Supplies	110,502	478,833	104,921	88,000	(7.3)
Utilities and contracts	381,003	405,245	338,557	347,649	(3.0)
Total	$1,127,986	$1,617,772	$1,337,145	$1,281,731	4.4%
Net Operating Revenues	$ 760,895	$ 375,624	$ 800,032	$ 932,669	7.0%
FORT WORTH SPINKS					
Operating Revenues					
Fuel flowage	$ 27,328	$ 32,231	$ 33,830	$ 36,800	10.4%
Landing fees	--	--	--	--	--
Land (improved)	5,009	4,950	3,877	5,903	5.6
Transient aircraft parking	--	91	274	--	--
Terminal Building	--	--	--	--	--
Hangar	77,210	80,877	83,225	89,100	4.9
Other building revenue	--	3,271	19,372	9,200	--
Land (unimproved)	38,630	60,652	69,186	83,800	29.5
Miscellaneous	767	5,184	1,157	--	(100.00)
Miscellaneous leasehold	26,470	16,814	13,215	12,700	(21.7)
Total	$ 175,414	$ 204,070	$ 224,136	$ 237,503	10.6%
Operating Expenses					
Salaries	$ 94,269	$ 111,756	$ 122,749	$ 191,684	26.7%
Fringe	195,758	197,503	27,841	50,866	(36.2)
Supplies	25,697	51,866	20,922	11,000	(24.6)
Utilities and contracts	126,057	169,731	85,648	230,290	22.2
Total	$ 441,781	$ 530,856	$ 257,160	$ 483,840	3.1%
Net Operating Revenues	$ (266,367)	$ (326,786)	$ (33,024)	$(246,337)	(2.6%)

*CAGR = Cumulative average growth rate.

Note: Administration includes administrative overhead allocation (including Alliance) and intrafund transfers.

Source: City of Fort Worth, July 2009.

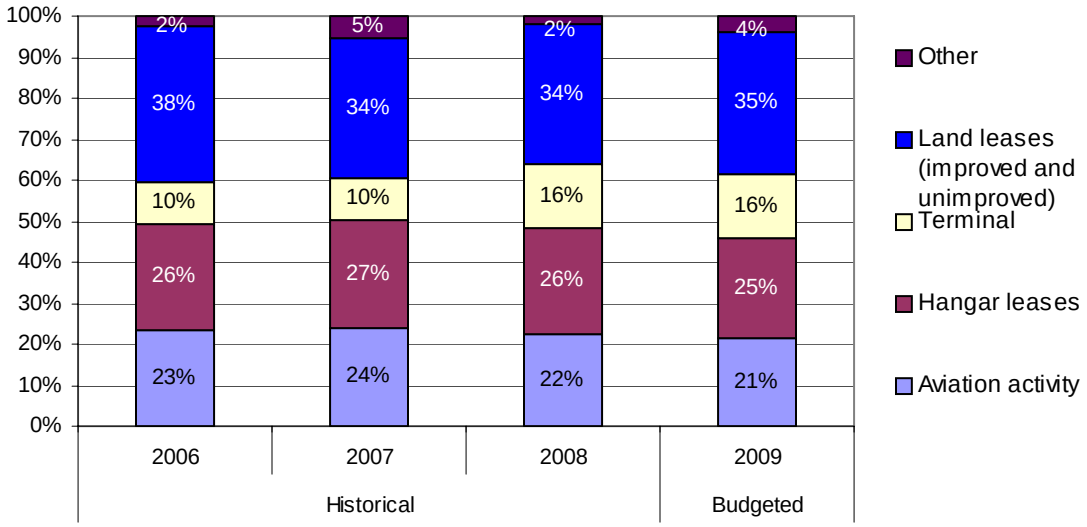
By-Airport Operating Revenue and Expense Data

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

Major Revenue Drivers

Fort Worth Meacham International. As shown on Figure 1 in FY 2009, about 35% of total Airport revenues are budgeted to be improved or unimproved land lease revenues (i.e., from leases of land without structures that may have improvements such as apron area and road, taxiway and utilities access), with a further 25% being hangar leases. About 16% of total revenues are from terminal building leases, which are a mix of aeronautical businesses (e.g., American Flyers and Sandpiper Aviation) and nonaeronautical businesses (e.g., the City of Fort Worth Housing Department) and about 4% are miscellaneous (principally lease) revenues. The remaining 21% of total revenues are from activity revenues (e.g., transient parking and fuel flowage fees).

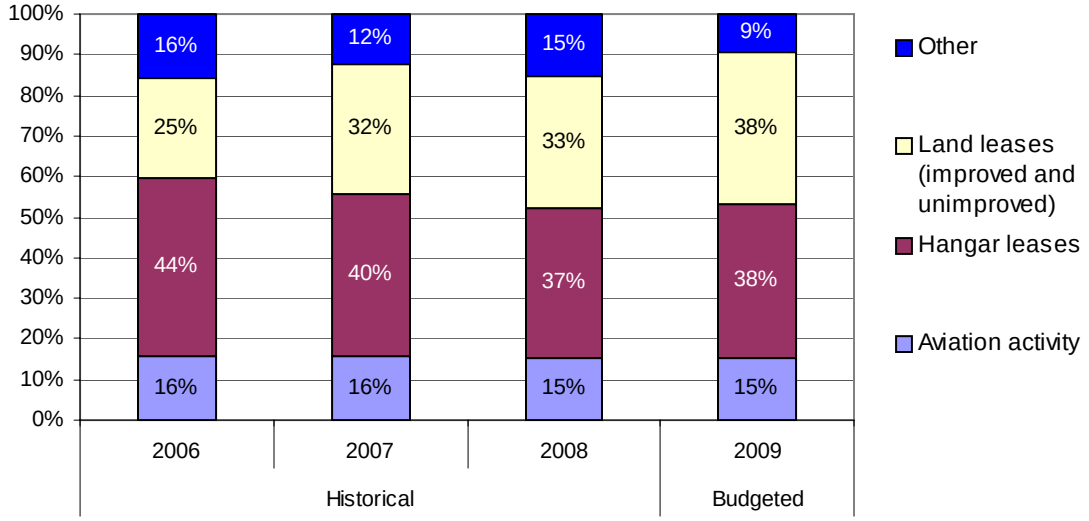
Figure 1
HISTORICAL REVENUE DISTRIBUTION
Fort Worth Meacham Airport



Source: City of Fort Worth, July 2009.

Fort Worth Spinks. As shown on Figure 2 in FY 2009, about 38% of total Airport revenues are budgeted to be improved or unimproved land lease revenues (i.e. leases of land without structures that may have improvements such as apron area and road, taxiway and utilities access), with a further 38% being hangar leases. About 15% of total revenues are from activity revenues (e.g., transient parking and fuel flowage fees). The remaining 9% of total revenues are miscellaneous (principally lease) revenues.

Figure 2
HISTORICAL REVENUE DISTRIBUTION
Fort Worth Spinks Airport



Source: City of Fort Worth, July 2009.

It should be noted that nonaeronautical revenues are a very small percentage of total revenues at both Airports. Airport management have the option to develop nonaeronautical leases using land that is surplus to aviation requirements. Certain general aviation airports focus on this area with either uses that support aviation activity (e.g., hotels, restaurants, shops) or with uses unrelated to aviation activity (e.g., golf courses and light manufacturing). Additionally, certain nonaeronautical uses may support future aviation development, such as business parks, aerospace manufacturing (that doesn't require airfield access) and distribution.

Gas Well Revenues

The Airports benefit from natural gas well royalty revenues. The Airports are located above the Barnett Shale, one of the largest natural gas reserve areas in the United States. There are 12 wells (in 4 pads) located at Spinks, and development of wells at Meacham is under way. The Airports receive 100% of the royalties (i.e., no other City entity obtains any share), which are organized into the following funds:

- Aviation Capital Improvements Fund (Fund # P240). Monies accumulated to this fund are available for all Airport uses at the Airport System Director's discretion. $14.05 million was accumulated in this fund as of July 2009, which represented the first full year of funding.

- Aviation Endowment Fund (Fund # T125). Monies are accumulated in this fund with the objective of using interest income generated for Airport capital spending. $10.59 million of principal was accumulated in this fund as of July 2009, with interest being earned at a rate of about 2.1% as of August 2009. Additionally, Airports management intends to establish the capability of obtaining loans from this fund for Airport projects.

- Aviation Museum Fund (Fund # T126). Monies are accumulated in this fund with the objective of using interest income generated to fund an aviation museum project, which is currently expected to occur at Alliance Fort Worth. $5.48 million was accumulated in this fund as of July 2009, and it is intended to continue to be funded until a $20.0 million balance is achieved.

Table 3 summarizes the current fund balances in these various funds as of July 2009. The revenues that are expected to result from these funding levels have not been included in the financial data shown in this report.

Table 3
GAS WELL REVENUE FUND BALANCES
Fort Worth Airports

Fund	Balance
Aviation Capital Improvement Fund	$14,046,996
Aviation Endowment Fund	10,589,168
Aviation Museum Fund	5,477,812
Total	$30,113,976

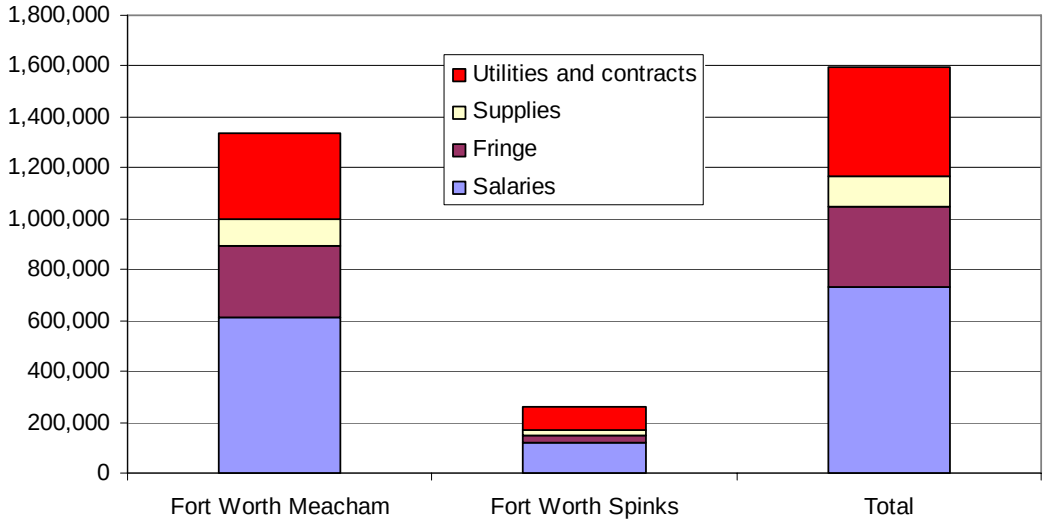
Source: City of Fort Worth, July 2009.

In accordance with the FAA Reauthorization Act of 1996, all revenues generated by or at the Airports, must be used for the capital or operating expenses of the Airport System. This includes gas well revenues.

Operating Expenses

Figure 3 graphically summarizes actual operating expenses at each Airport and for the Airports System for 2008. As shown, salary and fringe expenses constitute the largest operating expense component.

Figure 3
HISTORICAL 2008 OPERATING EXPENSES
Fort Worth Meacham and Spinks Airports



Source: City of Fort Worth, July 2009.
Note: Airport system administration is excluded.

Net Revenues

Fort Worth Meacham International and Fort Worth Spinks are budgeted to have net operating revenues of $933,000 and ($246,000) respectively, in 2009. Together, Airports' net revenues are budgeted to be about $686,000 in 2009. The Airports generate positive net operating revenues, despite certain limitations on lease development.

Analysis of Financial Records and Data

Analysis of financial information provides the following conclusions:

1. Fort Worth Meacham International has positive net operating revenues, whereas Fort Worth Spinks has negative net operating revenues. The Airports together have collectively positive net operating revenues. It is recognized that the Airports should focus on revenue enhancement and Airports management have started this process.

2. Fort Worth Spinks has relatively lower share of activity revenues, reflective of lower-revenue recreational activity.

3. The gas well revenue funds are a substantial revenue source that are a unique benefit to the Airports that permit substantial development as well as reducing financing costs (e.g. by minimizing the need to access commercial loans or debt, or through self-financing via the Aviation Endowment Fund). It is recommended that use of these funds be preserved principally for capital projects and that they not be used to pay operating expenses or support continued below-market lease payments.

Capital Improvement Program

Table 4 summarizes the Capital Improvement Program (CIP) for the Airports. As shown, about 90% of the City's share of their current long-term CIP projects are expected to be funded through gas well revenues. The Fort Worth Airports are in the unusual (and enviable) position of having a high level of their local share of CIP fundable from this source.

Projects include roadway improvements, utilities, water and sewer improvements, runway and apron improvements, and fire stations. These projects are generally prioritized as follows:

1. Safety related

2. Major maintenance and rehabilitation

3. Improvements to enhance the City's Airport's infrastructure

4. Projects that benefit Aviation as well as the surrounding community

Key recommendations affecting future CIP include:

- Excluding safety-related projects that are the highest priority, CIP projects supporting higher revenue development should be prioritized over those that generate lower revenues.

- Projects improving the future value of leases up for renegotiation should be maximized.

- Given that future gas well revenues are dependent upon energy prices, CIP project timing may need to be dependent upon how those revenues materialize and accumulate.

Table 4
CAPITAL IMPROVEMENT PROGRAM
Fort Worth Airports

			City of Fort Worth funding				
Fiscal Year	Project costs	Federal/ State funding	Additional Funding (PE40 Pipeline, GC24 etc.)	Aviation Gas Well Project Fund (P240)	Other Depts.	Other	Total
Fort Worth Meacham							
2008	$ --	$ --	$ --	$ --	$ -	$ --	$ --
2009	13,398,576	9,061,000	1,029,000	3,331,148	332,428	355,000	4,337,576
2010	18,199,000	3,993,200	--	13,705,800	500,000	--	14,205,800
2011	10,847,000	5,040,000	--	3,082,000	2,725,000	--	5,807,000
2012	5,300,000	4,095,000	--	1,205,000	--	--	1,205,000
2013	5,200,000	4,680,000	--	520,000	--	--	520,000
2014	5,555,000	3,199,500	--	2,355,500	--	--	2,355,500
2015	3,500,000	3,150,000	--	350,000	--	--	350,000
2016	6,000,000	5,400,000	--	600,000	--	--	600,000
2017	--	--	--	--	--	--	--
2018	6,882,000	2,818,800	--	4,063,200	--	--	4,063,200
2019	3,100,000	1,890,000	--	1,210,000	--	--	1,210,000
2020	4,000,000	3,600,000	--	400,000	--	--	400,000
2021	--	--	--	--	--	--	--
2022	--	--	--	--	--	--	--
2023	12,000,000	10,800,000	--	1,200,000	--	--	1,200,000
2024	--	--	--	--	--	--	--
2025	11,500,000	9,450,000	--	2,050,000	--	--	2,050,000
2026	8,700,000	--	--	8,700,000	--	--	8,700,000
2027	6,000,000	--	--	6,000,000	--	--	6,000,000
Subtotal	$120,181,576	$67,177,500	$1,029,000	$48,772,648	$3,557,428	$355,000	$53,004,076
Fort Worth Spinks							
2008	$ 3,751,016	$ 1,704,604	$ --	$ 2,046,412	$ --	$ --	$ 2,046,412
2009	6,197,480	--	--	5,077,480	1,120,000	--	6,197,480
2010	4,635,000	751,500	--	1,983,500	1,900,000	--	3,883,500
2011	1,925,000	765,000	--	1,160,000	--	--	1,160,000
2012	6,300,000	4,500,000	--	1,800,000	--	--	1,800,000
2013	1,700,000	--	--	1,700,000	--	--	1,700,000
2014	1,000,000	--	--	1,000,000	--	--	1,000,000
2015	1,425,000	1,282,500	--	142,500	--	--	142,500
2016	6,000,000	--	--	6,000,000	--	--	6,000,000
2017	2,500,000	450,000	--	2,050,000	--	--	2,050,000
2018	578,000	520,200	--	57,800	--	--	57,800
2019	3,000,000	2,700,000	--	300,000	--	--	300,000
2020	2,500,000	2,250,000	--	250,000	--	--	250,000
2021	400,000	360,000	--	40,000	--	--	40,000
2022	600,000	540,000	--	60,000	--	--	60,000
2023	1,116,000	1,004,400	--	111,600	--	--	111,600
2024	3,900,000	1,800,000	--	2,100,000	--	--	2,100,000
Subtotal	$ 47,527,496	$18,628,204	$ --	$25,879,292	$3,020,000	$ --	$28,899,292
Airport System							
2008	$ 316,729	$ --	$ 316,729	$ --	$ --	$ --	$ 316,729
2009	582,155	--	582,155	--	--	--	582,155
Subtotal	$ 898,884	$ --	$ 898,884	$ --	$ --	$ --	$ 898,884
Total	$168,607,956	$ 5,805,704	$1,927,884	$74,651,940	$6,577,428	$355,000	$82,802,252

Source: City of Fort Worth Airports, July 2009.

Lease Agreements

Airport management has stated that while they believe current Airport lease rates as set by the adopted Schedule of Rates and Charges are similar to regional market levels, several leases have substantially below market rates. Certain leases (in some cases as far back as 1980) have rates which are adjusted/escalated to their current levels (commonly at CPI) and have grown at a significantly slower rate than the underlying property values. This issue has been exacerbated by a combination of the lease duration together with the inability to re-set rates using a market-based approach, such as appraisal or a market rents study. More recent leases (mostly since 2003) have introduced a periodic ground rental rate adjustment to the Airports' Schedule of Rates and Charges, usually on a five-yearly basis.

Table 5 presents key lease data and summarizes the range of ground lease rates at Fort Worth Meacham International and Fort Worth Spinks together with selected comparative ground rental rates at certain benchmark airports. As shown in Table 5, major improved or unimproved annual lease rates range between about 15 and 27 cents per square foot (p.s.f.) at Fort Worth Meacham International, and between about 10 and 23 cents p.s.f. at Fort Worth Spinks. At the Airports, improved land leases are considered to be leases where utilities, road and taxiway access is usually provided to the tenant's property line and where apron area may also be provided. Unimproved leases are considered to be where no such infrastructure is provided. Airports management have recently combined improved and unimproved lease rates into a single ground rental rate, while maintaining separate building lease rates. Based on recent comparative data, the range of recent improved or unimproved land lease rates at the Airports are at the low end of the range of market rates, whereas many of the older leases are below the low end of the comparative range.

Table 5
KEY LEASE DATA
Fort Worth Spinks, Fort Worth Meacham International, and Comparative Airports

Airport/Lease	Average ground rental rate *(a)*	Lease agreement	Status of term
FORT WORTH MEACHAM INTERNATIONAL			
Aeronautical Leases			
Atlantic Aviation	$0.23	Unimproved FBO lease.	Usually 30 years
	$0.27	Improved FBO lease.	
	$1.66	Hangar lease	
Fieldtech	$0.23	Unimproved hangar lease	30 years
Phazar	$0.22	Unimproved FBO lease	30 years
Richardson 1980	$0.15	Unimproved FBO lease.	30 years
Sandpiper 1991	Per schedule	Improved ramp and terminal	25 years
Texas Jet 2006	$0.15	Unimproved FBO lease.	Usually 30 years
	$0.24	Improved FBO lease	
	$1.33	Hangar (1999)	
2009 Proposed Rates and Charges Schedule	$0.27	Unimproved/Improved combined $3,900 T-Hangar (annual rate)	
FORT WORTH SPINKS			
Aeronautical Leases			
Harrison 2004	Per schedule	Unimproved FBO lease	30 years
Harrison 2004	$1.62	Improved 10,000 s.f. hangar lease	Annual
HLP Aviation	$0.13	Unimproved hangar lease	30 + 5 + 5 years
Kimbell, Inc. 1998	$0.10	Unimproved hangar lease	--
Spinks Air Associates 2005	$0.16	Unimproved hangar lease	30 + 10 years
Spinks Eastside 2005	$0.17	Unimproved hangar lease	30 +10 years
Spinks Westside 2008	$0.23	Unimproved hangar lease	30 + 10 years
2009 Proposed Rates and Charges Schedule	$0.27	Unimproved – West Side	
	$0.20	Unimproved – East Side	
	$3,900	T Hangar (annual)	
OTHER AIRPORTS			
Addison			
Hangar	$4.00-6.50		
Improved	$0.40-0.60		
Arlington			
Improved	$0.30		
Unimproved	$0.20		
Collin County			
Hangar	$4.80-9.60	Includes "retail" rates charged to aircraft operators, which include additional costs to the Airport such as hangar maintenance and insurance.	
Unimproved	$0.30		
Dallas Executive			
Hangar	$2.00		
Improved	$0.17		
Dallas Love Field			
Hangar	$2.24		
Improved	$0.46		
Unimproved	$0.32		
Fort Worth Alliance			
Improved	$0.35		
Unimproved	$0.32		
Phoenix Deer Valley			
Hangar	$0.73-2.32		
Unimproved	$0.49	Expected lease rate in current negotiations.	

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

Sources: Respective airports.

There are a limited number of hangar rentals at both Airports with rates of $1.66 and $1.27 at Fort Worth Meacham International and $1.62 at Fort Worth Spinks, for example. In general, the hangar rates are below the comparative range.

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 or periodically re-set using a market approach, with review of comparative ground rental rates to establish where within the comparative airport range each City Airport lies.

Recommendations regarding lease arrangements include:

- Unimproved/improved ground and hangar lease rates should, subject to appraisal and ongoing market comparisons, should be moved up from their existing level at the low end of the range.
- Lease durations of 20 years (potentially with extensions by mutual agreement) are common at many airports, and it is recommended that future leases do not have 30-year base terms.

D. AIRPORT BENCHMARKING

This section summarizes the results from an analysis of operational and maintenance functions to identify opportunities for performance improvement.

Performance Benchmarking

Performance benchmarking was completed for the following comparative general aviation airports:

1. Addison Airport (ADS), Arlington, Texas
2. Arlington Airport (GKY), Addison, Texas
3. Collin County Regional Airport (TKI), McKinney, Texas
4. DuPage Airport (DPA), Chicago, Illinois
5. Fort Worth Alliance Airport (AFW), Fort Worth, Texas
6. Grand Prairie Airport (GPM), Grand Prairie, Texas
7. Phoenix Deer Valley Airport (DVT), Phoenix, Arizona
8. San Diego Montgomery Field (MYF), San Diego, California
9. Wiley Post Airport (PWA), Oklahoma City, Oklahoma

Key Findings

The following comparative metrics were used for the benchmarking analysis and are summarized in Table 6 unless described below:

1. **Overall level of general aviation aircraft operations and based aircraft**. As shown in Table 6 and Figure 4, Fort Worth Meacham is towards the high end of the range in operations with Spinks towards the low end of the range. Both airports are within the range for based aircraft, however based aircraft at Spinks are almost entirely piston-engine aircraft. Table 6 also shows the number of based jet aircraft at each airport, which is an important indicator of higher volume Jet –A fuel sales, and higher revenue activity such as FBO leases and SASO. While Fort Worth Meacham, with 65 based jet aircraft, is towards the high end of the range, Spinks is towards the low end with 7 based jet aircraft.

Table 6
AIRPORT BENCHMARKING DATA

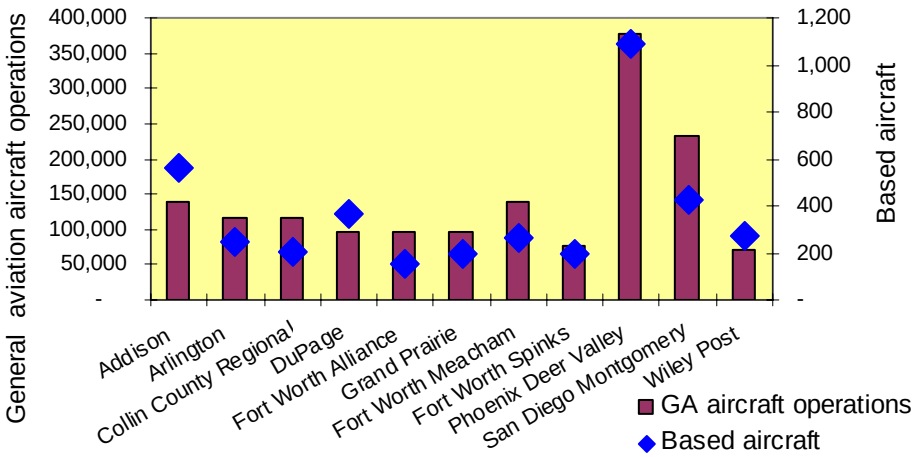
Airport	Total revenue	Total revenue per GA aircraft operation	Total revenue per based aircraft	Total staff	Total operations/ maintenance staff	Total revenue per staff	Airport surface area (acres)	O&M expenses	O&M expenses per acre	Labor expenses per employee	Based jet aircraft	Annual general aviation operations *(a)*
Fort Worth Meacham International (FTW)	$2,462,362	$18	$11,453	19	16	$129,598	745	$1,761,726	$2,365	$55,308	65	137,873
Fort Worth Spinks (FWS)	447,408	6	2,248	5	3	89,482	822	890,166	1,083	83,179	7	77,976
Addison Airport (ADS)	4,057,014	29	7,206	14	7	338,085	368	1,253,391	3,406	57,690	199	139,622
Arlington Airport (GKY)	590,046	5	2,360	9	6	65,561	515	776,372	1,508	65,305	5	117,052
Collin County Regional Airport (TKI)	806,661	7	3,878	5	3	161,332	706	2,421,346	3,430	69,795	11	115,785
Deer Valley Airport (DVT)	2,836,730	8	2,607	16	13	177,296	914	907,501	993	54,238	22	376,634
DuPage Airport (DPA)	22,199,764	227	60,821	n.a.	n.a.	n.a.	1,310	18,773,199	14,331	n.a.	58	97,848
Fort Worth Alliance Airport (AFW)	1,988,864	21	12,831	16	11	124,304	1,198	1,187,173	991	41,618	25	96,771
Grand Prairie Airport (GPM)	2,355,268	24	11,836	5.5	4.5	428,231	162	1,626,296	10,039	n.a.	1	96,471
San Diego Montgomery Field (SDM)	2,872,114	12	6,695	9	4	522,203	549	1,737,734	3,165	96,440	6	231,640
Wiley Post Airport	n.a.	n.a.	n.a.	9	8	n.a.	1,143	661,214	578	n.a.	34	71,036

n.a. – Not available.

(a) FAA ATADS data (2008).

Sources: Respective Airport or FAA Form 5010 data, except where stated.

Figure 4
GENERAL AVIATION AIRCRAFT OPERATIONS AND BASED AIRCRAFT



Sources: Operations: FAA, Air Traffic Activity Data System (ATADS).
Based aircraft: FAA Form 5010, except for Fort Worth Meacham which is the Airport.

2. **Revenues per aircraft operation**. Fort Worth Meacham International's revenues per aircraft operation is towards the high end of the range of comparative airports, whereas Fort Worth Spinks's revenue level is significantly lower than the range of comparative airports.

3. **Revenues per based aircraft**. Fort Worth Meacham International's revenues per based aircraft is towards the high end of the range of comparative airports, whereas Fort Worth Spinks's percentage is significantly lower than the range of comparative airports.

4. **Operating expenses per acre**. Fort Worth Meacham International's expenses per acre are at the middle of the comparative range, whereas Fort Worth Spinks's expenses are at the low end of the comparative range.

5. **Total staff**. Fort Worth Meacham International's number of total staff (19) is towards the high end of the range of comparative airports; however this is significantly mitigated by Meacham's operations and maintenance staff also performing duties at Fort Worth Spinks. This offsets Fort Worth Spinks's total staff level (5) status at the low end of the range of comparative airports. The total staff number was allocated to each airport as follows:

   a. Of the 27 total authorized City of Fort Worth Airports staff, 16 are on-site at Meacham and 3 are on-site at Spinks.

b. Of the remaining 8 executive and administrative staff, it was assumed that 40% of their time (equal to about 3 staff) was assigned to Fort Worth Meacham International, and about 30% of their time (equal to about 2 staff) was assigned to Fort Worth Spinks, resulting in a total of 19 staff at Meacham and 5 at Spinks. The remaining 3 executive and administrative staff would be assigned to Alliance Fort Worth International Airport.

While the Airports have 27 authorized positions in their organization, there are 7 vacancies as of August 2009, of which two are filled with temporary staff. While 27 total employees would be reasonable in comparison to other G.A. airports, the Airports are currently operating at 30% less than the positions authorized.

6. **Total operations staff**. Fort Worth Meacham International and Fort Worth Spinks have a similar relationship to the comparative airports with operations staff as they do for total staff.

7. **Revenue and Labor expense per employee**. Meacham's revenue per employee is similar to airports such as Collin County and Deer Valley, but at the low end of the comparative range, while labor expense per employee is within the range. Fort Worth Spinks's revenue per employee is the lowest of the comparative range, while labor expense per employee is towards the high end of the range.

Conclusion

The benchmarking analysis generally supports the conclusions of the financial review, in that whereas Fort Worth Meacham International's economic results suggest performance within a range that is comparable to other airports with significant corporate aviation activity, Fort Worth Spinks' economic results suggest performance at the low end of the range in comparison to other airports, notwithstanding its relatively low total operating expenses. Key recommendations to enhance business activity at the Airports are summarized in a Section F, Business Strategy Development.

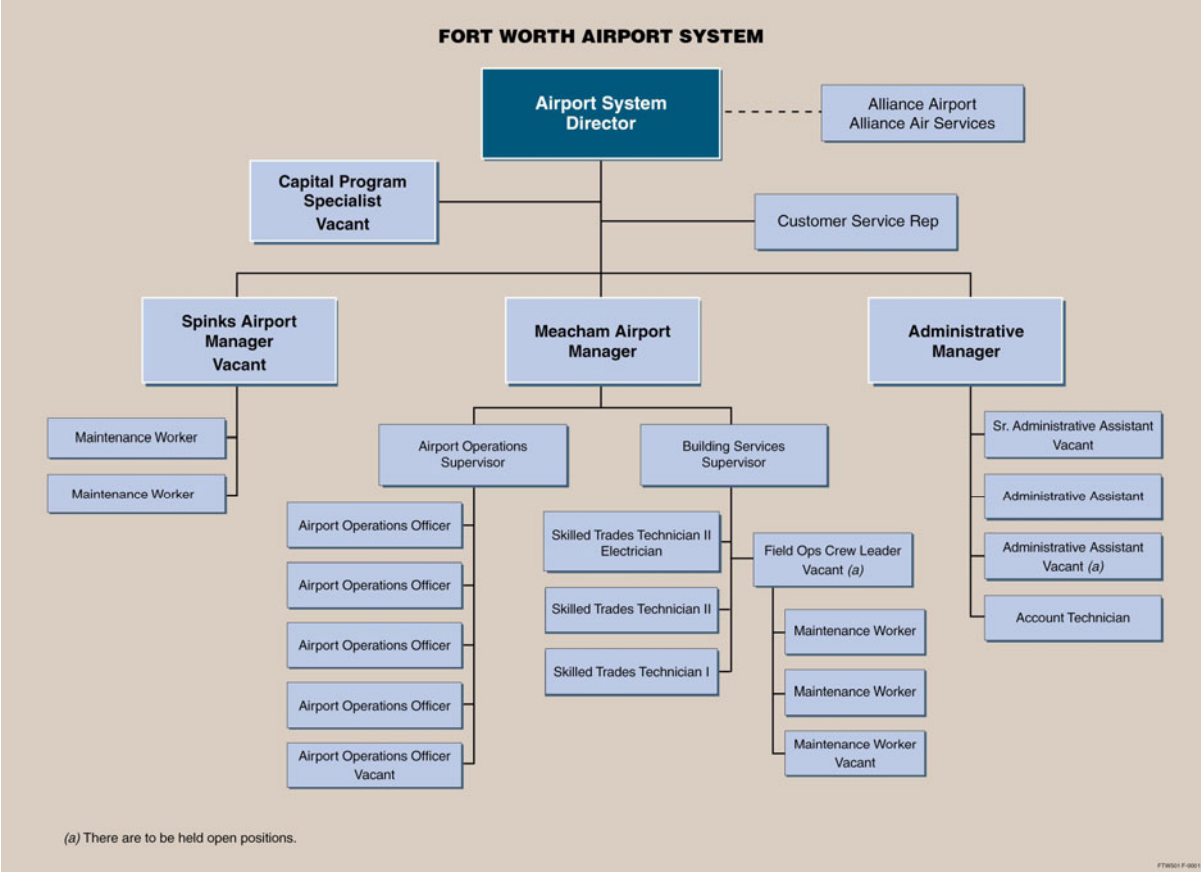
E. ORGANIZATION AND PERFORMANCE EVALUATION

The purpose of this section is to summarize the findings related to the development and evaluation of Airport business performance measures.

Existing Organization

The existing Airports organization chart is presented on Figure 5. The graphic depicts the official organization structure and does not necessarily reflect the actual reporting relationships.

Figure 5
AIRPORTS ORGANIZATION



The current organization has historically experienced significant turnover and recent changes in personnel have led to a number of vacancies and interim appointees. For the purposes of this assessment, we will focus on the positions, reporting roles, and responsibilities, although the recent changes in Airports' staffing provide an opportunity for implementing change.

The organization structure comprises the following functions and positions:

Management

- **Airport System Director**—responsible for overseeing and managing the Airport System. Reports to the Assistant City Manager responsible for Infrastructure Services.

Operations

The following structure exists in the operations and maintenance function. Meacham staff regularly support Spinks and Alliance operations, particularly in the Skilled Trades Technician/ Maintenance Worker functions:

- **Airport Manager**—responsible for overall airport operations, general operational duties, and assistance in airport planning and capital improvement projects.

- **Airport Operations Supervisor (Meacham)**—general operations duties, planning, and supervision of Operations Officers. Also provides support for Spinks on an as-needed basis.

- **Building Services Supervisor (Meacham)**—buildings maintenance and repairs, and supervision of the Field Operations Crew Leader, Skilled Trades Technicians and Maintenance Workers. Also provides support for Spinks on an as-needed basis.

- **Airport Operations Officer**—general operations, collection of landing fees, and minor maintenance duties

- **Skilled Trades Technician/Maintenance Worker (Meacham)**——variety of maintenance, construction, and operating tasks. Also provide support for Spinks on an as-needed basis for major tasks and electrical work.

Capital Projects

- **Capital Program Specialist**—responsible for airport capital projects and input into Fort Worth Meacham International and Fort Worth Spinks Master Plans. This role was a conversion of the Deputy Airport System Director role.

Administration

- **Administrative Manager**—responsible for clerical, human resources, lease management work and supervision of other administrative and accounts staff.

- **Customer Service Representative**—responsible for receiving, managing and reporting customer service issues for both airports to senior management, and for providing reception services at the Airports office.

- **Account Technician**—responsible for financial data analysis, current Year Monitoring Report, and budget preparation.
- **Administrative Assistant**—responsible for Accounts Receivable, Accounts Payable, Payroll, purchasing budgets and administration and other general clerical duties.

A total of 26 positions have been budgeted for, although at the time of this report, total staff number 19. It should also be noted that the management and administrative positions shown that are not specifically assigned to Meacham and Spinks also devote time and resources to Alliance Fort Worth International Airport. There are seven positions that are currently vacant, with those positions for which a replacement is being sought being indicated:

- Airports Capital Program Specialist (replacement search underway)
- Airports Senior Administrative Assistant (replacement search underway)
- Airports Administrative Assistant (no replacement is being sought)
- Spinks Airport Manager (Airport System Director to work at Spinks two days per week until a replacement is found) (replacement search underway)
- Meacham Airport Operations Officer (1 of 5) (replacement search underway)
- Meacham Field Operations Crew Leader (no replacement is being sought)
- Meacham Maintenance Worker (1 of 3) (replacement search underway)

Due to the culture of adaptability within the Airports, the level of vacancies have not hindered the maintenance of status quo operational service levels; however Airports management are forced to be more reactive, with the result that proactive operational development at the Airports is not occurring at present. Airports management has identified that replacing the Spinks Airport Manager and Airports Senior Administrative Assistant are considered the highest priorities.

Operational Aspects

This section contains the operational reviews of Fort Worth Meacham International and Fort Worth Spinks, based on visual inspection, review of airport data and interviews with Airport management, in order to review the existing conditions of the Airport infrastructure as well as in-progress and planned construction improvements, highlight current operational aspects of the Airport and facility maintenance issues, and identify key areas that may require improvements or additional focus for improved performance.

Fort Worth Meacham International

Fort Worth Meacham International is located approximately 5 miles north of Fort Worth, located north of the Stockyards area of the City. The Airport handled about 138,000 aircraft operations in 2008. About 40% of those operations were local operations, suggesting a significant training function at the Airport. The Airport currently has 278 based aircraft, consisting of 130 single engine, 77 multi-engine, 6 helicopters and 65 jet aircraft. The Airport property overall encompasses approximately 745 acres. The Airport is close to Interstate Highway 820 and 35W, and surrounded by a mix of residential, commercial office, and light industrial complexes.

The Airport has three runways—Runway 16/34, which is 7,501 feet long by 150 feet wide and which is equipped on both approaches with a Category I instrument landing system (ILS); Runway 17/35, which is 4,008 feet by 75 feet long; and a cross runway, Runway 09/27, which is 3,677 feet by 100 feet.

Airport services, provided by tenants, in general include fueling (100LL 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 facilities are also located at the Airport. Major FBOs currently operating include Atlantic Aviation, Phazar Flight Support, Sandpiper Aviation (which occupies space in the terminal building) and Texas Jet. The main administrative offices of the City of Fort Worth Airports Department, which oversees Fort Worth Spinks, Fort Worth Meacham International and Alliance Fort Worth airports.

The following operational and maintenance aspects were highlighted:

- Airports management has produced a Pavement Condition Index for the Airport, which indicates that the majority of the runway and taxiway areas are in generally fair to good condition. Runway 09-27 is reported to have raveling in cracks and block cracks, and to be in very poor condition in the section to the east of Runway 16. Also, a significant portion of the apron and taxiway area east of Runway 16, is however in fair to very poor condition and is expected to require maintenance in the short-term.

- The overall leased areas appear in good condition, well developed, and under apparent good management.

- Certain areas of the Texas Jet hangar area have operational limitations as a result of its layout, and are limited to ADG Class II aircraft.

- The terminal building requires an upgrade, including its air conditioning systems.

- There are significant areas for expansion development to the west of Runway 16/34.

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.

Fort Worth Spinks

Fort Worth Spinks is located approximately 14 miles south of Fort Worth, near the City of Burleson. The Airport handled about 77,000 aircraft operations in 2008. About 60% of those operations recorded by the FAA ATADS database were shown as local operations, suggesting a significant training function at the Airport. The Airport currently has 199 based aircraft, consisting of 155 single engine, 35 multi-engine, 2 helicopters and 7 jet aircraft. The Airport property overall encompasses approximately 822 acres. The Airport is close to Interstate Highway 35W, and surrounded by a mix of farmland, a golf course, commercial office, and light industrial complexes. Opened in 1988 and with relatively limited development, the Airport has significant capacity available for phased development.

The Airport has two runways—Runway 17R/35L which is 6,002 feet long by 100 feet wide and which has a Category I ILS on the Runway 35L approach; and Runway 17L/35R, which is 4,000 feet by 60 feet turf runway.

Airport services, provided by tenants, in general include fueling (100LL and Jet-A), aircraft rental, sales, charter, flight training, and pilot supplies. Oxygen service and overnight aircraft parking are also available. The principal FBO currently operating is Harrison Aviation, which has constructed a new FBO terminal building. Other tenants include Kimbell Inc., Spinks Air Associates, Spinks Eastside Executive Hangars, and Spinks Westside Associates, which provides aircraft hangars, Certified Aircraft Maintenance and flight schools.

The following operational and maintenance aspects were highlighted:

- Runway 17R/35L meets the operational requirements for turbine aircraft but may be extended to 7,000 feet to meet the requirements of larger jet aircraft. Runway 17L/35R is reported to have very limited use.

- Airports management has produced a Pavement Condition Index for the Airport, which indicates that the runway and taxiway areas are in generally good condition. The majority of the pavements in the northeast hangar area are however assessed to be in a fair condition and are expected to require maintenance in the short-term.

- The Airport was constructed adjacent to the now-closed Oak Grove Airport. Some of the hangar buildings in the northeast hangar area originate from that facility and the northeast hangar area has significant operational and minimum standards issues, including:

- Road traffic is able to enter taxiways and there is a lack of warning signage. Airport management is in the process of resolving the road traffic issue.
- Certain hangars do not have the required clearances from the taxiway areas and may require moving as part of future development.
- There is significant available land for development and it is important that this occur consistent with long-term planning objectives for the Airport.

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.

Fort Worth Alliance

While not included in the evaluation and assessment, Fort Worth Alliance Airport is owned by the City of Fort Worth and functions as an air cargo and general aviation airport. City Airports management are responsible for the Air Traffic Control Tower maintenance and provide staff from Meacham for this purpose.

SWOT Analysis

We have undertaken a SWOT analysis of the Airports 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
Experienced and respected operations team Culture of adaptability ensures current vacancies do not affect performance, although time taken for tasks increases Common desire for renewed purpose Aviation Advisory Board (AAB) user forum	Lack of decision-making authority and historical Airport System Director turnover Business development Insufficient Airport planning Central mission of the Airports is unclear
Opportunities	**Threats**
Airport System Director role enhancement City organization development empowers Airports	City procedures prevent meaningful change City re-organization delays improvement planning

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 Aviation Advisory Board

Decision-Making and City Accountability

It is apparent that a common issue faced by Airports management is the lack of decision-making ability. This has created a climate of distrust between tenants and Airport management, and while this seems to have improved with recent management changes, 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 the decision-making process and accountability, which ultimately means that there is a paralysis of decision-making in the Airports.

While it is not the purpose of this review to address the internal City processes, it is clear that in order for the Airports 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 Airports 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 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 Airport System Director to be more pro-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' performance has largely been characterized by the personalities within it rather then 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 aviation staff in the future and to 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**—It is understood that the Airport System Director does not have the final decision regarding establishment of ground rental rates. Additionally, there is a need for an experienced airport lease specialist to support Airport management in the maintenance of lease information and development of new leases.
- **Administration**—It is understood that there are issues relating Airports financial data to City financial data, and that there is a need to more closely correlate this information so that it is accurate from an Airports standpoint.
- **Human Resources**—It is recommended that the process for airport specialist hires be coordinated with Airports management.
- **Procurement**—There is a need to increase lines of communication between Airport management and City procurement.

Communication

A key issue raised throughout the consultation was communication. At present, the individual Airport Managers are the primary interface through which tenants communicate with Airports management. Given that there is a need to improve the overall strategic direction and business management of the Airports, it is important to establish greater communication with the Airport System Director. In addition to the existing attendance at regular meetings, improved dialogue with tenants, a number of standard business organization concepts, such as establishing a Business Directory, were identified as being potentially beneficial.

Business Development

It is important that Airports management actively pursue new business development opportunities. It is apparent that within the current organization, there is no specific business development/commercial function and the Airports have no particular focus on commercial development, aside from lease renewal, which is significantly affected by City policy and legal process rather than commercial awareness. It is also recommended that a greater share of business development actions be given to the Airport Managers and that the airport lease specialist role be developed within the administrative support function.

Role of the Aviation Advisory Board

The Aviation Advisory Board (AAB) plays an important role at the Airports and represents the views of tenants and stakeholders. While it is not formally within the Airports' organization 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 AAB and is increasingly receptive to the ideas generated by the AAB. The AAB can provide significant value in reviewing the CIP program.

Organizational Benchmarking

Information on staffing was received from the following airports:

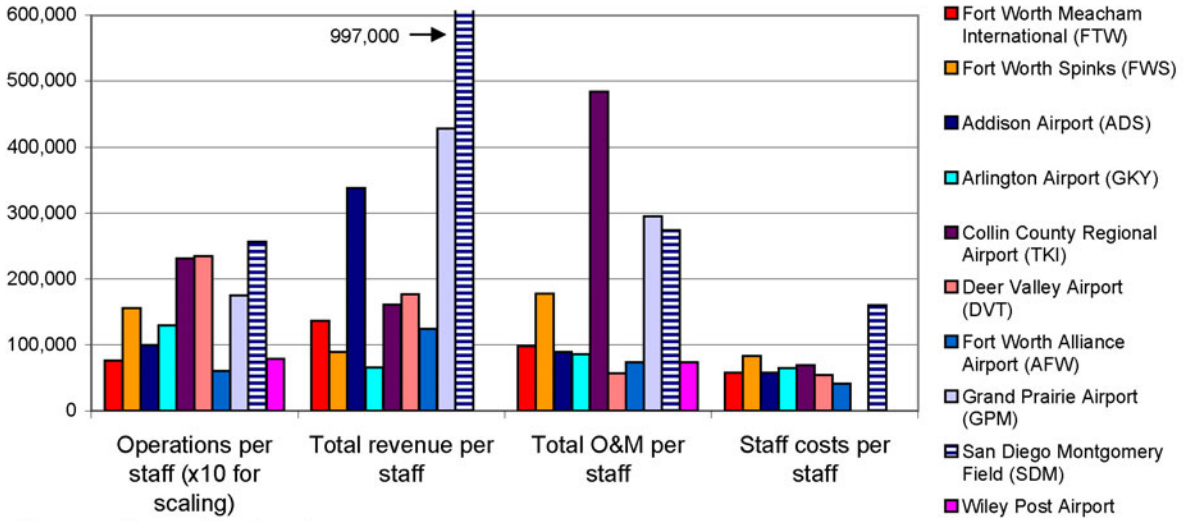
- Addison Airport (ADS), Arlington, Texas
- Arlington Airport (GKY), Addison, Texas
- Collin County Regional Airport (TKI), McKinney, Texas
- Fort Worth Alliance Airport (AFW), Fort Worth, Texas
- Grand Prairie Airport (GPM), Grand Prairie, Texas
- Phoenix Deer Valley Airport (DVT), Phoenix, Arizona
- San Diego Montgomery Field (MYF), San Diego, CaliforniaWiley Post Airport (PWA), Oklahoma City, Oklahoma

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.

Staffing

Figure 6 summarizes key staffing ratios levels at the reference airports and compares them to the Airports both at the individual airport and aggregate level. The ratios provide a measure of overall Airport productivity.

Figure 6
KEY STAFFING RATIOS
Fort Worth Spinks, Fort Worth Meacham International, and Comparative Airports



Sources: Respective airports.

The analysis shows that the overall staffing at Fort Worth Spinks and Fort Worth Meacham International would appear to be generally within the range of the benchmark group.

If we consider operational staff separately from administrative and executive staff, a similar picture emerges, suggesting that the Airports are not overstaffed.

We conclude that, at the aggregate level, the current Airports authorized staffing level of 19 for Fort Worth Meacham and 5 for Fort Worth Spinks, appears reasonable, particularly given that staff at Meacham also provide support to Spinks. As such, from a staffing standpoint, outsourcing Airports' staffing does not make sense.

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. However, our comparison suggests that staff costs per staff member are within the comparative range.

Organization

A review of certain organization charts at many airports reveals a number of common themes:

- 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 Fort Worth Airports System, we note the following:

- A stronger alignment of personnel by function as opposed to geographic location, permitting greater cross-utilization, could be considered. This already occurs in the case of maintenance staff based at Meacham being assigned to tasks at Spinks.
- 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

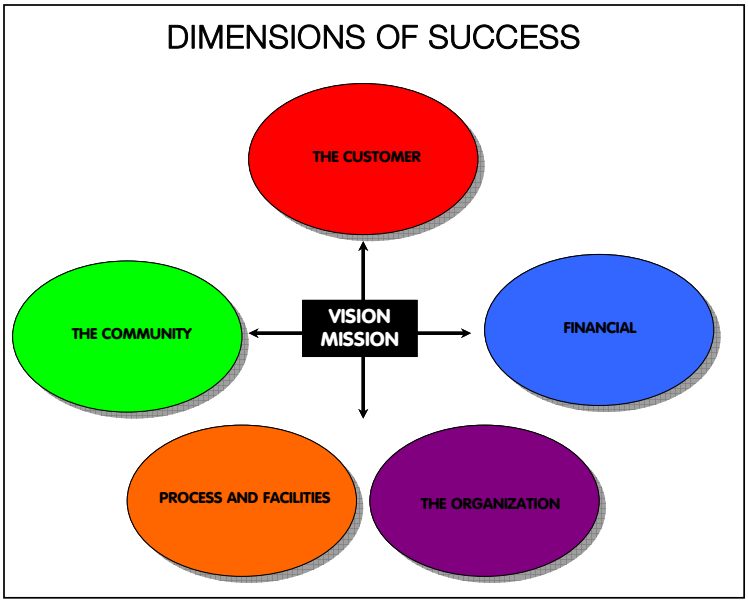
In considering the options for enhancing Airport performance, a fundamental backdrop is that the Airports need to embrace a clear, defined purpose so that they are able to deliver effective decision-making for its customers.

Consultation with management, stakeholders, and tenants suggests general agreement with these objectives, although there appears to be no explicit business development objectives in the decision-making or budgetary process. ***As such, we would strongly recommend that the City develop a Strategic Business Plan for the Airports 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 Airports.***

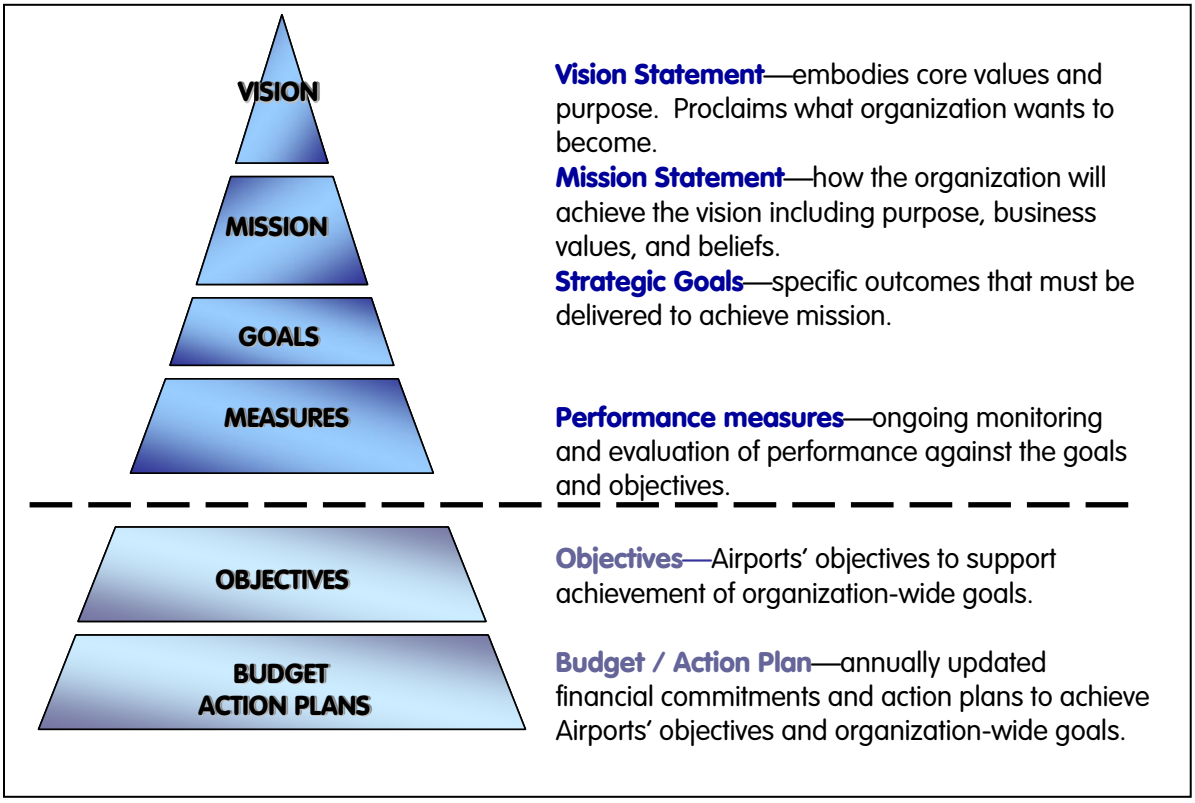
The Strategic Business Plan would re-define the Airports' business goals, establish common priorities, and provide specificity, such as leasing specific areas and conducting development projects, for the whole organization to achieve desired outcomes. It would provide a common road map for the City and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

We would recommend a simple re-statement of mission and goals that can then be developed into a series of specific medium-term objectives and in turn a series of annual action plans. The Airports currently submits an annual operating budget to the City. We would recommend that this budget be aligned to a Strategic Business Plan for the Airports that would allow annual priorities to be established and, in setting priorities for following years, past performance to be measured.

Given that the challenges facing the Airports 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 typical dimensions of success is shown on 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 Aviation Advisory Board. 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 Airports with a stronger and unifying purpose.



With the recent changes in the Airports, there is a strong willingness within the Airports to refocus the Airports, 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 Airport 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. We do not propose any additional staff but would suggest a refinement of existing staff roles.

Key functions of the organization and major relevant issues are described below:

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

Airport System Director

The role of the Airport System 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 Fort Worth Meacham International and Fort Worth Spinks, there are distinct advantages in having a single focal point for the organization.

Firstly, the Airport System Director fulfils a key role in managing City relations in coordination with the City Manager, which means that the rest of Airports management can focus on specific Airport matters. Secondly, the Airport System Director provides leadership and direction for the Airports 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 Airport System, and the Airport System Director is able to reflect this key perspective.

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

The commercial and planning functions are essentially performed by the Airport System Director at present but a greater devolvement of responsibility to the Airport Managers 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.

Planning and Capital Improvement Program

The Capital Program Specialist position should help 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 Fort Worth Meacham International and Fort Worth Spinks, with continued direct reporting to the Airports Director.

Commercial and Property Leasing

While it is not recommended that a Commercial Manager position be created, it is important that this role is highlighted as critical and be clearly assigned to existing senior management, with appropriate task allocation as follows:

- Airport System Director – commercial strategy, development and negotiation lead
- Airport Manager – by-Airport market and financial assessment and contract negotiation.
- Administrative Manager – City legal liaison, contract management and data management.
- City legal – legal preparation of lease documents.

Community Relations

Community relations is a critical role given ongoing regional business and residential development and development of a strong airport identity. Similarly, while it is not recommended that a specific position be created, it is important to highlight this role and identify responsibilities within the existing management structure.

- Airport System Director – lead community relations manager, including noise abatement issues.
- Airport Manager – local community relations and noise abatement manager and workshop leader as required.
- Administrative Manager – publicity information and data management.
- Customer Service Representative – lead day-to-day interface.
- City staff – support as required.

Administration

Administrative support should always be clearly defined in terms of alignment 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.

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 Airports. 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

This Committee would provide the Airports 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 AAB 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 scope of this assignment; however, for the Airports to function more effectively and satisfy customer needs, a greater level of decision-making power and autonomy needs to be extended to the Airports. 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 Airport System Director and senior Airports 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 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 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.

Airport Leases

The City has considered the option to lease the Airports to a private operator (the Operator). This section summarizes typical approaches to such lease operations.

Background

Certain airport sponsors in the United States have leased the operation of their airports to private operators. Table 7 provides some examples of mostly general aviation airports managed by private contractors.

Table 7
AIRPORT BENCHMARKING DATA

Airport	Sponsor	Operator
Addison Airport	Town of Addison	Washington Infrastructure Services, Inc. and Staubach Airport Management, Inc.
Atlantic City International Airport	South Jersey Transportation Authority	AvPorts
Brackett Field Airport	Los Angeles County	American Airports
Compton/Woodley Airport	Los Angeles County	American Airports
El Monte Airport	Los Angeles County	American Airports
Republic Airport	New York Department of Transportation	AvPorts
Rochester Airport	City of Rochester, MN	Rochester Airport Company
Tweed New Haven Regional Airport	City of New Haven	AvPorts
Teterboro Airport	Port Authority of New York & New Jersey	AvPorts
Westchester County Airport	Westchester County	AvPorts
Whiteman Airport	Los Angeles County	American Airports
William J Fox Airfield	Los Angeles County	American Airports

Types of Lease Agreement

The objective in leasing the Airport is usually to achieve a "turnaround" situation where the Airport can be operated on a positive net revenue basis. Types of lease agreement include:

- A management contract, where an Operator manages the Airport for a specified period of time, such as five years. The Operator's objective is to improve the financial and operational efficiency of the Airport and is paid a fixed fee. The operating budget is usually set and managed by the Operator and approved by the Sponsor. Given that the Airport is unprofitable, the objective of the Operator would be to reduce costs and increase revenues.

- A long-term lease (or concession agreement) , where the Sponsor grants full management and development control to the Operator under a long-term agreement, in return for the operator undertaking full capital improvements. This is a more extensive arrangement where significant airport development is anticipated, with the term of the lease related to the length of time needed by the Operator to recover its investment in new facilities. A long-term lease transfers the principal responsibility for airport operations and development to the private lessee. It is also common in these arrangements for airport users to pay fees and charges

directly to the lessee, with the lessee taking on the risk involved in covering operating and capital costs out of those revenues.

Typical Agreement Terms

Typical agreement terms include:

- Annual management fee paid to Operator, either in the form of a fixed fee (preferred by FAA) or as a revenue share, which provides a performance incentive where Airport has positive net revenues.
- Sponsor receives net revenues (assuming they occur) and is responsible for debt service, operations and maintenance expenses and funding capital expenditure.
- Performance objectives.

Management Contract Example. The Operator would have a 20-year management contract with two 5-year renewal options at the City's option, and effectively operate as Airport management, collecting rents, conducting day to day operations and running the Airport's capital program. They would act as leasing manager for the Airports, negotiating and setting rates with tenants. As leases expired, they would be re-set to market rates and then escalated at CPI. Employees would transition from current City to the Operator's employment. The City would retain staff for contract administration (and would review and approve leases of more than one month's duration), capital planning, construction and inspection. Additionally, the Operator would assume all liability as Airport operator and would be responsible for carrying out airport maintenance to a set standard. As discussed earlier, based on the revenue share approach, the Operator would bear the risk of managing airport costs.

F. BUSINESS STRATEGY DEVELOPMENT

This section summarizes the key business issues in terms of highlighting the environment in which the Airports operate, key strategic issues that should be evaluated, and potential actions to address these factors. It is important to recognize that the development of a strategy in itself will not deliver performance improvement. We strongly recommend that the Airports 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 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 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 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 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 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 Airports 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 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 Airports to account for delivery.

Figure 7
BUSINESS PLANNING PROCESS

FIVE-YEAR STRATEGIC PLAN
- Mission Statement
- Goals
- Objectives
- Development policy
  - Public facility development
  - Revenue development
  - Third party subcontracting
- Financial targets and assumptions
- Policy documents
  - Lease policy
  - Airport development standards
  - Minimum standards

Lease template

↓

ANNUAL BUSINESS PLAN
- Annual business objectives
  - Prior year review
- Lease development objectives
  - Ground rental rate, term, key lease provisions
  - Land parcels to be leased
- Internal marketing process
  - Aviation Advisory Board input
  - Regional Airport User pre-RFP meeting
  - Community advisory meeting
- RFP plan

↓

ANNUAL BUDGET
- Revenue
- Expenses
- Capital Improvement Fund
- Capital Expenditure

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 Airports' leasing, staffing and procurement decision-making processes need to be substantially expedited, to show responsiveness to commercial practices and timelines. In general, while the single biggest issue facing the Airports is that the Airport System Director has historically had constraints placed to his ability to make decisions, it is concluded that this has most effect in the area of business and lease development.

   – Lease development. It is recommended that the City delegate control over lease development, staffing and procurement to the Airport System Director, and enhance the ability to secure any administrative requirements from other City agencies.

   – Staffing. The Airport System Director should have the ability to select new hires from City or other airport/aviation sources, driven principally by level of relevant airport experience – as such, City hires may still be considered, but on an open competitive basis, given the technical requirements of the Airports.

   – Procurement. Similarly, the Airports should be given more flexibility to procure services. Given that there is still a requirement to have an RFP process that conforms with City regulations, it is recommended that two approaches be used:

   – The Airports be permitted to RFP for a list of on-call contractors who can be selected as the need arises.

   – Companies be engaged on a general services contract where the Airport can request services as the need arises.

   – In this case, the time required to advertise, interview and select contractors is removed from the individual project timeline; additionally, Airports management has more flexibility to bid for smaller jobs.

   – 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 conduct these actions using a pre-established approval template 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. Internally, Airports 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 an updated master 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 available space, conduct marketing 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

     - Striking balance between revenue generation and encouraging aviation activity.

     - Updated minimum standards

   - Set up aviation development section on website.

3. **Fort Worth Meacham Business Development.** Develop an aeronautical business leasing plan, incorporating:

   - Southwest Area corporate aviation campus, comprising “flagship” FBO, combined specialty aviation business area and corporate aircraft hangars. Develop RFP for area redevelopment.

   - FBO and hangar lease upgrades as opportunities arise.

   - Public row and T-hangar area lease rates require review.

4. **Fort Worth Spinks 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.

   - SASO development.

- FBO and hangar lease rate review as opportunities arise.
- Long-term nonaeronautical development marketing, complementary to surrounding regional growth (e.g., hotel, commercial space)

5. **Community and Environmental Action Plan.** Business and residential encroachment challenges should be anticipated at both Airports.

- 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
- Active participation at community groups