



ORANGE COUNTY AIRPORT ADVISORY COMMITTEE

By Resolution dated November 5, 2015, the Orange County Legislature created the Airport Advisory Committee (“Committee”) to study, report and recommend opportunities for economic development, review the potential for shared services, improve efficiencies and reduce costs, regional strategies and other operational improvements at the county owned mid-sized airport.¹

Executive Summary:

The Committee is comprised of eight (8) members who met fourteen (14) times. The Committee heard from the Commissioner of the Orange County Department of Public Works, the Airport Director, an aviation consultant firm, commercial proprietors having long-term leases at the airport and conducted site visits of the airport and a like-kind airport, Oxford Airport, in Waterbury/Oxford, Connecticut.

The Committee wholeheartedly believes that the Orange County Airport is geographical and logistically situated to become an economic engine for the County of Orange. Presently, there is a demand for corporate hangar space in the New York City Metropolitan region, which cannot be met by overcrowded airports in Westchester County and Northern New Jersey.

To meet this demand, the County of Orange would need to make significant investments in the airport’s infrastructure by pursuing federal and state grants as well as partnerships with the private sector and possible funding from the Orange County Industrial Development Agency. Airport runways and ancillary capital projects traditionally have been funded with federal (90- 95%), state and local dollars. The construction of bulk hangars ranging in size from 9,000 to 21,000 could be financed by (i) grant funding (with county matching funds of approximately 10%) (via borrowing), (ii) private/public efforts (long-term lease agreements (20-30 years) along with financial assistance through the Orange County Industrial Development Agency, or, a combination thereof. The Airport Director provided the committee with a cost/benefit analysis to support the funding of infrastructure improvements for corporate bulk hangars.² The Orange County Legislature authorized the construction of a bulk hangar at an

¹ See, Resolution No. 209 of 2015 (attached)

² Cost Benefit Analysis – for Construction of Hangars prepared by Airport Director Magryta.

estimated maximum cost of \$980,000, which includes New York State grant monies of \$882,000 and \$98,000 of County borrowing.

Water and sewer service continues to be an issue at the Airport for its operations, tenants and future economic development. Without sufficient water and sewer, there can be little to no further development at the airport. On-site water is critical to fire suppression, FAA public safety requirements and related aviation business opportunities. In April of 2007, the County of Orange received a grant, in the amount of \$790,000 to be used for water and sewer development. The County Executive and his representatives are in discussions with the Village and Town of Montgomery for water/sewer supply. It appears that the Town of Montgomery may have an interest in meeting the airport's water demands³, while the Village of Montgomery may have an interest in extending sewer lines to the airport. Both municipalities charge a relatively high cost for hook-up and usage fees. Time is "of the essence" as the grant expires on April 30, 2017. Fortunately, the County has requested an extension of time to expend the funds. The Airport Director has once again asked for a two (2) year extension on the grant but must provide the grantor with evidence that the project(s) are progressing.

Airport operations have significantly improved over the last several years. The Airport Director continues to pursue competitive fuel prices for aviation consumers. Small hangar leases have increased, but the demand is for corporate hangar space. Operational hours and FAA security requirements are said to hinder airport tenant businesses. Business tenants and the Airport Director requested an increase of airport amenities, including but not limited to, meeting rooms, a better pilots lounge, an affordable restaurant, updated airport entry signage, advertisements for events, as well as a comprehensive marketing strategy. As with all municipally owned and operated airports, personnel expenses significantly increase operating expenses. Given that the airport is a 24/7, 365 day a year operation, this Committee believes that a business friendly work schedule be considered to provide aviation consumers with the services they need at the time that they need it. The committee recognizes that any changes in personnel operations must be within the confines of the County's collective bargaining agreements.

Historical Background

Orange County Airport is a 526-acre public general aviation facility located in the town of Montgomery, New York. The County of Orange has owned the airport since 1949. However, due to its designation as an auxiliary training field by the U.S. Air Force, the airport remained substantially undeveloped until the early 1960's. The County of Orange has funded, staffed and operated the airport since 1963.

³See, Town of Montgomery Board Meeting Minutes dated Thursday, December 1, 2016.

Airport Budget, Capital Projects and Grant Opportunities

1. **Budget:**

The Airport currently has a 2017 operational budget of \$1,441,539 with a staff of eight (8).⁴ The budget is funded with \$180,953 of “County Taxation”, \$110,000 of “Federal Aid”, and \$1,161,610 of “Other Revenues.”

2. **Capital Projects funded by federal and state grants with local match.**

a. **Authorized and Approved:**

The Airport has six (6) active capital projects.⁵ They include airport repairs, wildlife hazard, taxiway marking, aviation fuel tanks, water/sewer and Realignment of Runway 3/21. The largest in scope is the \$17,800,000 Realignment of Runway 3/21, which is part of the FAA approved O.C. Airport Master Plan. The project is funded with 90% of federal funds, 5% New York State funds and 5% of County taxation (borrowing) funds. The Airport Director is overseeing the project with a consulting engineering firm and the project is in its construction phase.

b. **2017 – 2022 Proposed Airport Capital Projects.**

The County’s 2017 Six-Year Capital Plan includes thirty-four (34) airport capital projects.⁶

c. **2017 Proposed Capital Projects**

There are eleven (11) airport capital projects slated for borrowing in 2017. Total Project Costs are \$12,395,000 with a county match (borrowing) of \$2,331,976. This includes \$8,000,000 for the Realignment of 3/21.⁷

3. **Airport Directors’ Insight on New Hangar Capital Projects.**

Mr. Magryta explained that the County has the potential to build up to five hangars at the airport main-side as per the Orange County Airport Master Plan (2004). Since New York State removed the sales tax on corporate aircraft, the airports equipped to handle these planes are hard-pressed to house them. The Orange County Airport currently has a wait list of five (5) to seven (7) potential planes that would be willing to come to Orange County if the space was available. He believes this would eliminate the \$180,000 in county taxation if he had two bulk hangars to handle corporate demand, by an increase in leasehold revenues and additional fuel sales.

The Committee recognizes the Orange County Legislature’s hesitancy in funding

⁴ See, Orange County 2017 adopted Airport Budget (attached).

⁵ See, Orange County 2017 Six Year Capital Plan, Authorized and Approved

⁶ See, Orange County 2017 Six Year Capital Plan 2017-2022 Proposed

⁷ *Supra*

airport projects with county taxpayer dollars. The Committee discussed the proposed capital projects with the Airport Director and how these projects would expand airport opportunities, generate revenue to offset/ negate county taxation. The goal is to not only make the County Airport self-sufficient but a contributor to the county Airport Fund Balance. The Airport Director was tasked with providing the Committee a cost benefit analysis to justify and support the use of taxpayer dollars for some of the proposed capital projects for new hangars. The Cost Benefit Analysis is attached hereto and made a part of this Report.⁸

Orange County Airport Director's Report on Current Operations

County Taxation: Mr. Magryta reported that in 2016, the Airport's reliance on county taxation to support its operations was reduced from \$390,000 to \$180,000. This is due to an increase in fuel sales, hangars rentals, and other revenues. Mr. Magryta noted that included in the airport's 2017 annual budget is \$128,000 for post-employment health benefits for eight (8) retirees and \$142,000 for debt services, representing \$270,000 for non-operational expenses

Staffing: The Airport has seven (7) full time employees (including the director) and one (1) part-time employee. Airport employees perform snow removal, maintenance, all line service, safety and administration, and are funded by airport user fees. The Director noted that snow removal and grass maintenance must be done in accordance with FAA regulations and is not something that can be readily privatized. The Airport owns and maintains its own equipment for its operations.

Chargebacks to Other County Departments: The Committee discussed whether or not other county departments are charged for storage or usage fees of buildings and equipment. Mr. Magryta stated that is not being done now. Committee members debated over the feasibility of doing so, given that the County provides other administrative services to the airport, (payroll, auditors, health benefit administration, human resources) for which the airport is not charged.

Fuel Sales: Full service fuel is available during the airport's hours of operation 7:30 a.m. to 5 p.m. Certain owners want full service while others prefer to take care of fueling and servicing their planes on their own. Mr. Magryta purchases fuel in bulk and watches the commodity's market price to buy at a low rate. He believes that by doing so, he is making a profit on fuel sales. The two fuel tanks were replaced in October, 2016.

Food Services: Pursuant to a "Request for Proposals," the County hired an outside vendor to re-open the restaurant. The Committee held one of its meetings at the restaurant. Members noted that while the food was excellent, it was a bit high priced and restaurant hours of operations were unpredictable. The food, beverages and hours were not in keeping with what pilots typically expect. Mr. Magryta acknowledged that there have been issues with the vendor, who has since left. A major complaint by the vendor was the poor quality of the water on site. Water/Sewer supply/service continues to be an issue for airport businesses and future expansion.

⁸ See, Cost Benefit Analysis

Consultant Observations/Preliminary Assessment

The Committee met with Steve Baldwin of Steve Baldwin and Associates, LLC. Dutchess County commissioned his firm to conduct an operational and financial assessment of its county airport. Mr. Baldwin has over 34 years of aviation industry experience, including 14 years of direct airport management and 18 years of consulting to more than 100 airports throughout North America. Mr. Baldwin drafted the 2013 Dutchess County Airport 2013 operational and financial assessment. Baldwin considered the following indicators to evaluate Dutchess's general aviation facility:

1. Annual Operations
2. Ratio of revenue vs. expenses
3. Ability to attract new tenants
4. Fuel sales
5. Number of based aircraft
6. Comparison of rates and charges
7. Community perceptions
8. Economic development
9. Non-aeronautical revenue generation
10. Capital Improvement program
11. Marketing Plans

Mr. Baldwin provided the Committee with an overview and his own preliminary assessment of the Orange County Airport applying the above standards.

Mr. Baldwin stated that while the Orange County Airport has many limitations in terms of the physical facilities, it is strategically located within the New York Metropolitan region and is ripe for economic development given that most airports south of Orange County (Teterboro, Morristown and Westchester County Airports) are full.

Discussions with Aviation Business/Commercial Tenants at the Airport: private interest for expansion of corporate hangar space

The Committee met with three of the current airport tenants who shared their concerns and ideas about the future of O.C. Airport with a view towards expanding the airport and their own businesses.

1. Ryan J. Mayo of Take Flight Aviation submitted a draft proposal to build one 15,000+/- sq. ft. hangar with accompanying ramp space, and possible expansion of two more identical hangars over a 5 year period with a 1,500 sq. ft. office to meet the company's growing demand. The company's goals are to: (i) attract corporate jet storage tenants to Orange County Airport; (ii) expand storage and related business aircraft services; (iii) provide top level private services to existing and potential client base, and (iv) accommodate its future business plans. Take Flight Aviation currently has fourteen

planes stored at the airport with seven being used for its high school program, pilot training, aircraft sales and services and inspections.

2. Philip Criscenzo of Taylor Aviation, Inc. His company has been located at Orange County Airport since March of 1997. Taylor Aviation Inc. is a charter operator, provides aviation maintenance and offers aircraft consulting services. In the past, he submitted a proposal to the County to expand his business at the Airport. Mr. Criscenzo expressed his concerns about the limitations that the county airport places on operating his business. They include competitive fuel rates, ground transportation, access to airport after business hours, catering services, atmosphere and comfort, aircraft management services, support services, infrastructure, a dayroom or pilots lounge, crew duty room and the lack of ancillary services and marketing efforts to attract new business.

Mr. Criscenzo recommended the following: airport autonomy, better communications between the County and airport tenants, airport marketing initiatives, airport budget, customers.

3. Robert Ripchick, a fixed based operator/owner of Avquest Aviation Services, LLC met with Committee members during their site visit to the airport. He shared his thoughts and concerns regarding the airport and its economic impact on his aviation aircraft sales, maintenance, as well as management, rental and flight training operations.

Site Visits:

Orange County Airport:

The Committee held a luncheon meeting at the airport's privately operated restaurant "Culinary Creations" (which has since closed), toured the airport facilities, and reviewed the FAA (2004) O.C. Airport Master Plan with Director Magryta.

Site visit to Oxford Airport, Oxford CT

On June 7, 2016, committee members and Airport Director Magryta toured Waterbury-Oxford Airport, a mid-sized (national general aviation facility) airport publicly owned by Connecticut Airport Authority and met with staff from its fixed based operator ("FBO") Keystone. (Keystone is one of the largest FBOs in the industry).

The Committee chose to visit Oxford Airport, as its physical layout and size are similar to that of Orange County Airport. It is 15 years further along in its implementation of an its economic development plan of attracting new business to its facilities by constructing large hangers to meet the private aviation demands for hangar space and services in the New York City metropolitan region. Oxford Airport, like O. C. Airport is included in the National Plan of Integrated Airport Systems, and thus, eligible for federal funding.

Oxford amenities include:

- . Private Pilot's Lounge
- . Onsite catering availability
- . 200,000 sq. ft. of corporate hangar space
- . Concierge services

- . Weather/Flight Planning Stations
- . Free Wi-Fi
- . Meeting Rooms
- . Free coffee/tea
- . Gourmet “121 Restaurant”
- . Discounted rates at local hotels
- . Air Traffic Control Tower
- . 73,000 sq. ft. of office and shop space
- . 5,800 foot runway with ILS and GPS approach systems
- . Free shuttle service available to hotels within 10-mile radius

Hours of Operation: Open 7 days a week 6:00 AM until 10 PM, Ramp services available until 11:00 PM.

Oxford has immediate hangar space available and promotes the following on its website:

- ◆ Aircraft based in Connecticut with mass gross takeoff weight of greater than 6,000 lbs. are exempt from sales tax, there is no personal property tax, and there are tax exemptions for parts and labor.⁹
- ◆ Quick turnarounds and competitive fuel pricing
- ◆ Award-winning restaurant and catering facility on the airfield.

Recommendations:

The mission of the Committee was to review and evaluate the current operations of the county airport and explore potential and market realities for economic expansion. These recommendations are the culmination of one-years’ worth of investigation, member input, staff interviews and multiple county department participation. They should not be viewed or interpreted as a criticism of the current county operations. They are purely recommendations to the County highlighting operational efficiencies and future business opportunities for Orange Counties Airport.

1. Construction of New Bulk Hangars (9,000 to 21,000 square feet) for commercial aviation businesses or storage of aircraft.

Financing of Hangars:

- (i) Federal or State grant programs with a county local share (present situation).

⁹ In New York State, effective September 1, 2015, Part TT of Chapter 59 of the Laws of 2015 amends the Tax Law to provide an exemption from state and local sales and use tax (sales tax) for general aviation aircraft and for machinery. This law provides an exemption from state and local sales and use tax (sales tax) for general aviation aircraft and for machinery or equipment to be installed on general aviation aircraft. The new law defines *general aviation aircraft* as an aircraft that is used in civil aviation.

Application of the exemption

For the sale (including a lease or rental) of a general aviation aircraft, the new exemption applies to the receipts for:

- the aircraft itself;

- other property that is affixed to the aircraft for its equipping, such as furniture, fixtures, built-in appliances, window coverings, climate control systems, or entertainment systems; and
- property that the aircraft is outfitted with at the time of sale that is necessary for its normal operation, such as avionics, radios, weather radar systems, and navigation and emergency lighting.

- (ii) Private/Public financing, whereby a private entity would construct hangars in FAA approved airport locations under a long-term land lease agreement (20-30 years). Upon the expiration of the lease term, the County would own the capital improvement(s) (hangar).
- (iii) County and Municipal IDA assistance:
 - a. seed money for hangars; and/ or
 - b. financing to private developers (including tax benefits, PILOT agreements).

Rationale:

Land leases should be very affordable because the investment in the airport by private means is more important than the cash the airport would receive from a land lease. The committee received feedback from other operators that land leases, resulting in the development of hangars, should be done for a 20-30 year time frame, both be legal and to extend the lease term out far enough to attract private financing for improvements feasible. At the end of the lease term, the County would own all improvements.

Orange County has a strong economic development team: the Orange County Partnership, the O.C. Industrial Development Agency, the Chamber of Commerce, the Foreign Trade Zone and New York State Empire Development. Marketing efforts and the development of a prospectus for private hangar development should be linked to the County's businesses attraction professional entities, who are equipped to offer tax incentives in connection with acquisition, construction and equipment for qualified projects. Incentives would include sales and use tax exemptions, mortgage recording tax exemptions, real property tax abatements as well as tax-exempt revenue bonds.

It would make sense, to begin the process of creating "shovel ready" sites with correlating and marketing materials. Legislative approvals, the identification of the locations for potential development in the Airport's FAA Master Plan, legal reviews, boilerplate lease agreements and property tax determinations or PILOTS should all be in place so that the County can take full advantage of market opportunities. The primary focus must be on streamlining the process for private development so that it can happen seamlessly and at a time, in which the free market determines it needs to happen, free of bureaucracy or legislative calendars.

2. Development of Water/Sewer Service.

The County has grant funds, in hand, since 2008 to bring water and/or sewer to the airport site. That grant funding is not enough to fund both water and sewer and accordingly a choice should be made as to which one should come first. It is the committee's recommendation that because an agreement can be made between the County and the Village of Montgomery over at least sewer service with the use of these funds, the County should expedite the use of the grant moneys for installing sewer lines from the Village to the airport. The current grant in question is roughly \$790,000, which should be more than enough money to make the connection. The Village may have user rates and/or connection fees beyond the grant's limitations. The focus should be on achieving the agreement with higher rates going forward for the users of the system (new tenants) to pay and offset un-fundable costs beyond the grant.

The County is also in preliminary discussions with the Town of Montgomery for water services. However, grant monies are not enough to cover this cost as well as sewer costs.

The Committee recommends that the County continue to pursue agreements with both municipalities for water and sewer services.

3. Fire Suppression.

The primary purpose for bringing municipal water to the airport is for fire suppression. Fire suppression systems depend on pressurized water and a supply volume greater than what the current airport water system can deliver.

The Committee recommends that the following fire suppression options should be explored and permitted for progression of airport development:

- A) The use of fire walls to divide larger hangars into sections that will meet fire code.
- B) The permitting of independent fire suppression systems to be built inside new or existing hangars which would be energized by hydro-pneumatic tanks or cisterns with pumps.

Future Alternatives

- A) Municipal water may be extended out to the airport property by the Town of Montgomery in the future. At that time, the County may tap into said water system for airport use. It is believed that the zoning of undeveloped land in and around that area is industrial or commercial and it would be in the Town's interest to provide the airport with water and or sewer in the future. The Committee also recommends that the County include a provision in its lease agreements that mandate all future hangars to tie into water or sewer services when they are brought to the airport and pay all costs related

to usage fees and or benefit assessment fees related to said agreements and service.

- B) The County should apply for grants for the development of a water system at the airport that could potentially serve the airport's needs, although there is concern the County may not be interested in running such a system. However, it is possible that the maintenance and management of said system could be contracted out and covered in cost by the users of the system.

4. Continue to Pursue Grant Opportunities and Provide Local Matching Funds.

The Committee recommends that the County Legislature recognize the airport as an asset to the County and that the airport's importance in the region is increasing. This is due to the market demand for commercial sized airport hangars increasing as airports like Westchester and Stewart begin to push out these tenants. It is the Committee's recommendation that the County fully support all grant applications and provide the matching funds necessary to effectuate them, in order to develop the airport with limited or no expense to the taxpayers.

5. Signage.

The Committee acknowledges that signage for the airport is outdated and is not in keeping with the Village of Montgomery's image. The Committee recommends new signage. Some members suggested that there be a student design competition. A proposed design was distributed to the members for their comments. It is recommended that signage be in keeping with Village of Montgomery's and Orange County's signs. The Committee also recommends signage on the U.S. Route 84, Exit Number 5 for the airport.¹⁰

6. Purchase/ Sale of Fuel, Airport Maintenance.

Fueling services are critical to airport operations. It is recommended that the current policies administered by the airport manager for the purchasing of fuel and the setting of rates for fuel remain intact for now.

Some publicly owned airports have entered into agreements with fixed based operators ("FBO") to manage daily airport operations and/or fueling operations and pay for all related system costs, in exchange for fuel sales profits. The Committee notes that while the County of Orange could also enter into such an arrangement with an FBO, a full financial and operational analysis would have to be done to determine its benefits to the County, as fuel sales profits currently play a vital role in offsetting county taxation. The County is currently investing in new fuel tanks, as a requirement issued by the DEC and financed through bonds. This was completed in October 2016. Those bonding costs and the cost of keeping

¹⁰ N.Y.S. DOT Region 3 approved Request for Signage at Exit Number 5 for 2018.

the fuel system running, (including the cost of fuel and related staffing), must be weighed against the fuel sales profits and any other benefits that may be derived from outsourcing fuel operations to an FBO. Financial analysis should also factor in any additional fuel sales profits derived from newly constructed bulk hangar space.

The County may want to explore the financial feasibility of a full service FBO to handle daily airport operations/fuel sales operations/maintenance.¹¹

7. Restaurant/Food Services.

The County leases out food service operations at the Airport. Such lease arrangements provide food and beverages to aviators and the general public who visit the airport. The lease allows the purveyor to establish a menu, keeping receipts, with the County receiving lease payments. The focus of these lease agreements has always been on the county getting the maximum return in lease payments. The Committee recognizes that the County has had a difficult time in maintaining a food service vendor. The Committee believes that the primary focus of any future food service agreements should be in attracting a vendor to provide the airport with food and beverage services during all of the hours of operation that the airport is open to the public. The benefit of such a schedule is that when pilots know that the food and beverage service is available, they are more often likely to purchase fuel and increase operations at the airport, which in turn increases grant opportunities from the state and the federal government. (An aircraft operation is defined as each time an aircraft either takes off or lands at the airport.)

8. Implementation.

The Committee strongly urges the County of Orange to move forward on attaining water/sewer for the airport site. The Committee understands that the 2008 grant monies are not enough for both. The County should act expeditiously to attain water or sewer. If there are any remaining grant monies, then such funds should be applied to obtaining the other services.

The cost for signage is relatively small and thus the County should act on this immediately.

The County should expedite a Request for Proposal for Restaurant (food/beverage) services, as necessary.

Marketing efforts should be explored with the O.C. Partnership and the O.C. Industrial Development Agency for private corporate hangars in conjunction with the proposed new O.C. Airport Master Plan (having a 10 year scope).

¹¹ The Committee was never provided with specifics regarding actual profits from fuel sales and never given the exact profits attributed to self-fueling versus County fueled aircraft.

An RFP for fixed based operator services (FBO) which may include but not be limited to fueling services, snow removal and lawn maintenance (“scope of work”) should be consistent with the findings of a cost/benefit analysis and should align with staffing reductions due to retirements and/or reassignments.

Conclusion

The Airport Advisory Committee was created, to study, report and recommend opportunities for economic development, review the potential for shared services, improve efficiencies and reduce costs, explore regional strategies and other operational improvements at the county owned mid-sized airport. Committee members endeavored to apply their experience, expertise and common sense in accomplishing their mission. The Committee believes that it has completed its obligations. This report fairly and accurately depicts the work of the Airport Advisory Committee. The report is, hereby submitted to the Orange County Legislature and the County Executive for their consideration.

The Committee extends their thanks to Chairman L. Stephen Brescia and the Orange County Legislature for allowing them to serve the people of the County of Orange, the Orange County Airport Director, Edward Magryta, for his time, expertise and input, and the staff of the Orange County Legislature for their assistance.

Orange County Airport Advisory Committee Members:

Honorable John S. Vero, Legislator and Chairman of the Committee

Honorable James DiSalvo, Legislator

Honorable James M. Kulisek, Legislator

Honorable James O’Donnell, Legislator

Honorable Daniel C. Depew, Supervisor of the Town of Wallkill

Harold Porr, III, Orange County Director of Operations

Christopher Viebrock, Commissioner of Public Works

George Casale, Pilot/Private Citizen