

Oregon State Aviation Board
Meeting Minutes

April 17, 2002

Eugene, Oregon

Pursuant to notice made by press release to newspapers of general and local circulation throughout the state and mailed to persons on the mailing list of the Board, a meeting of the Oregon State Aviation Board was held in Eugene, Oregon, on April 17, 2002.

Board members present included Bill Wilkins (Chair), Michael Nelson (Vice-Chair) Mike Burrill, Jack Loacker and Carrie Novick. Also present were Oregon Department of Aviation (ODA) staff members Ann Crook, Daren Griffin, Carolyn Berry, Carma Gale, Rebecca Jasso and Lindy Zimmerman. Lynn Rosik, Assistant Attorney General, attended by invitation. State Aviation Board appointee, Joe Smith, also attended.

Chair Wilkins called the meeting to order at 9:00 a.m. on April 17, 2002. Introductions followed.

The following adjustments were made to the agenda:

- 10:40 a.m.: Report on U. S. Transportation Secretary Norman Mineta's visit to Portland on April 13, 2002
- 10:45 a.m.: Report on the FAA NW Mountain Region Airports Conference in Denver
- 10:50 a.m.: Discussion of letters in support of Small Community Air Service Development Pilot Program grants

Hearing no objections, the agenda was adopted as revised.

The Board moved to the consent calendar. The March 20, 2002, meeting minutes were approved with the following changes noted:

- The word "private" was added to "entities" on page 2, paragraph 4, bullet 3
- "He" was replaced with "Case" on page 3, paragraph 2, sentence 2
- "The airport has a total of 169 employees..." was added on page 3, paragraph 2, bullet 9
- The word "is" was replaced by "its" on page 4, paragraph 3, bullet 5

Chair Wilkins suggested that the language in Section 9.1 Flying Clubs in the minimum standards documents is too restrictive. He requested that the language be changed to read:

Aircraft must be vested in the name of the club or owners on a pro-rata share, and the club may not derive greater revenue from the use of the aircraft than the cost to operate, maintain, replace, or enhance the aircraft or fleet of aircraft.

Burrill moved that the new language be adopted. Loacker seconded. The Board requested that the approval dates on the documents be changed to reflect this revision. The motion carried unanimously.

Griffin gave a presentation on the current financial status of state-owned airports to give background information to the Board for the discussion of the Rates and Charges Policy. The total ODA resources and expenditures for the 2001-2003 biennium were reviewed. He explained that leases and fuel flowage are inclusive of all the revenue ODA derives from state-owned airports. That amounts to \$283,523 – or 2 percent of total ODA revenues. Total expenditures of \$2,698,000 are planned for airport services for the 2001-2003 biennium. Airport services expenditures include maintenance, personnel time, and matching funds (10 percent) for Airport Improvement Program (AIP) grants. Griffin brought to the Board's attention the wide

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disparity between revenues and expenditures at the state-owned airports. Eleven airports have revenue-generating capabilities (Aurora, Cottage Grove, Bandon, Cape Blanco, Chiloquin, Condon, Independence, Joseph, Lebanon, Siletz Bay and Wasco). The other airports do not have a tenant base, so everything ODA spends on those airports must be subsidized. Revenues have been consistent over the past five years, but expenditures have varied over the same time period. The spikes in expenditures are due to capital improvements. Griffin cited Aurora, Lebanon and Independence State Airports as examples of airports that are close to breaking even and supporting maintenance and personnel costs themselves. He pointed out that state subsidies are especially important to the smaller airports that lack revenue sources.

Nelson asked what the percentage of expenditures were administrative costs. Jasso responded that each category of airport has a percentage attached to it. The figure for Aurora is approximately 1.6 percent. Jasso offered to derive an overall average, if the Board wishes.

Tom White, Lebanon, asked if federal funds were used for the slurry seal at Lebanon State Airport last year. Griffin responded no. John Atchley of Lebanon inquired about the cost of mowing and if the tenants could take over the mowing at the airport. Griffin stated that about half of the cost of mowing was personnel and equipment time, and the tenants taking over mowing activities could be negotiated. Andy Andersen, Independence State Airport, pointed out that there might be an insurance issue if tenants took over mowing.

Griffin led the Board in a review of the Draft Rates and Charges Policy. Staff has modified the document based on discussions with tenants and other interested parties. Legal counsel has reviewed the document. The following specific items were discussed and clarified:

- Section 4. Staff is creating an administrative rule that would include all of the definitions used in policy documents approved by the Board. Wilkins directed Board members to communicate definition changes directly to Griffin. Smith requested a meeting with staff to discuss the definitions if he is confirmed as a Board member.
- Section 5.A. The intent is to replace existing administrative rules that set specific rates and charges with this policy that bases fees on appraisal or market rent analysis to obtain fair market value.
- Section 5.B. Tie-down fees apply only to based aircraft.
- Section 6.B. The Board requested that the first sentence be rewritten for clarity.
- Section 6.C. The Board requested that the section be rewritten for clarity. Griffin noted that there had been some discussion on whether access fees should be per based aircraft/or per hangar access.
- Section 8. There was a discussion regarding appraisal and rate structure, and application at different category airports.
- Section 9. Wilkins directed Board members to talk to Daren directly if they had concerns with this section. The Board discussed Section 9.D *Rate of Return*. Locker asked if other state agencies used a target rate of return for state property. Griffin agreed to investigate. Crook reminded the Board that the property value is based on airport use not other uses.

Crook reported on U. S. Transportation Secretary Norman Mineta's visit to Portland on April 13, 2002. Secretary Mineta presented awards of federal grants totaling more than \$23 million to Oregon airports. The Port of Portland accepted over \$7 million in grant allocations dedicated to specific runway, taxiway and fencing improvements at the Port's smaller airports in Hillsboro, Troutdale and Mulino, as well as a security reimbursement for PDX. Crook accepted \$16 million in grant monies designated to fund a variety of site-specific projects at approximately 20 public

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airports across Oregon. Burrill and Novick reported on their separate meetings with U. S. Department of Transportation staff and congressional staff.

Chair Wilkins reviewed two letters addressed to Secretary Mineta in support of applications by the cities of Klamath Falls and Redmond for Small Community Air Service Development Pilot Programs grants. He asked if there were any objections by other Board members to signing the letters. There were no objections. It was noted that other cities were also applying for this grant. Letters of support for those communities will also be sent to Secretary Mineta.

Crook reported on the 9th Annual FAA NW Mountain Region Airports Conference held in Denver the previous week. This is a meeting held with the FAA, airports and state aviation officials to discuss airport issues. Topics included:

- Complying with grant assurances
- Changes to the Airport Improvement Program
- New security requirements and funding

She stated that the FAA is not ready to talk about general issues. Crook urged the FAA to contact state airport officials when they are ready. She noted that the Eugene Airport received an award at the conference. Novick reported that at the NW AAE meeting in Jackson Hole in March, Daren Griffin completed requirements for his AAE designation. The Board offered its congratulations.

Wilkins opened the meeting to public comment.

- Ed Hannevig, Chair of the Independence State Airport Support Group (ISAS), offered the following comments on the Smart Airport Contracting insurance document:
 - Recommended keeping the minimum limits on airport premises liability for non-commercial tenants at \$500,000, but add a sub-limit for bodily injury not to exceed \$100,000 per occurrence.
 - Recommended keeping the minimum limits on airport premises liability at \$1,000,000 for commercial tenants.
 - Thanked ODA staff for soliciting more than one insurance company to provide advisory information for the 4th draft of the document.
- Hannevig offer the following comments on the Draft Rates and Charges Policy:
 - Recommended access fees be based on hanger/homeowners with aviation activity not on the number of aircraft.
 - Noted the table of fees based on aircraft weight is logical as the heavier the aircraft the more wear and tear on the runway and taxiways.
 - Recommended keeping the process of identifying and billing for ingress/egress as simple as possible by continuing to bill annually rather than monthly with December 1st being the date to determine the access requirement.
 - Questioned the per aircraft fee as applied to homeowners.
- Gail Hill, Treasurer for ISAS, hangar lessee and homeowner at Independence, urged annual rather than monthly billing. She also asked for reconsideration of policy regarding per aircraft fee as applied to homeowners.
- James Kirkendall, hangar lessee and homeowner at Independence, requested clarification on whether he would be assessed ingress/egress fees for his home in addition to the fees he pays for his aircraft hangared on airport property.
- Andy Andersen, ISAS, read a letter from Captain William Francke of the Oregon Wing Civil Air Patrol, recommending that CAP aircraft hangared in tenants hangars not be charged ingress/egress fees (Section 5.G).

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- Mike Schmitz, Lebanon Aviation, requested consideration of a reduction in fees if tenants provided in-kind services such as mowing. He also stated that as a FBO he broke even on leasing tiedowns.
- Joel Scoggin, Columbia Helicopters, stated that Ted Millar, PAAM, had asked him to bring to the Board's attention the large discrepancy between tiedown and ingress/egress fees.
- Tom White, Lebanon, asked why Category III airports weren't indexed in the Rates and Charges Policy. He was informed that the state doesn't own any Category III airports.
- Ed Hannevig, ISAS, noted that the FBO at Independence is leasing 21 tiedowns but has only six tenants.

(Note: Mr. Hannevig's written comments and Capt. Francke's letter are on file at the Department of Aviation)

Griffin reported that, as requested by the Board at the last meeting, more flexibility to the airport premises liability requirement has been included in the 4th revision of the Smart Airport Contracting insurance document. He has also continued to solicit comment from the aircraft insurance industry. He reviewed memos from Greg Sterling, AOPA Insurance, and Lisa Dahl, former Board member. In his memo, Sterling stated that aircraft insurance travels with the aircraft, so the premises aren't covered if the aircraft isn't there. Dahl stated that the \$2 million and \$10 million aircraft liability requirement for commercial operators were unobtainable in some cases and cost prohibitive. Griffin read comments from AIG Aviation indicating they were impressed with the document but concerned about the 30-day notice of non-renewal which insurance companies don't give. AIG Aviation recommended including property, casualty and workmen's compensation to the lists on page 13.

Wilkins moved to public comment on the insurance document.

- Joel Scoggin asked the Board to look at the economic impact requiring pollution liability insurance would have, especially on the smaller FBOs.
- James Kirkendall pointed out that at Independence homeowner's insurance covers the hangars on state property.
- Mike Burrill noted that a small operator handling limited product poses more of a risk than a large operator, which has systems in place.
- Mike Schmitz asked how ODA was addressing the person who is doing self-fueling. Griffin responded that it was whether or not aviation gas is being sold. If it is, pollution liability insurance would be required.

The Board recessed at 11:50 a.m.

Chair Wilkins reconvened the meeting at 12:02 p.m. for a working lunch. Nelson left the meeting at that time.

Crook reviewed the Performance Plan for the Director of the Department of Aviation. She requested that the Board decide on what they would evaluate her on before she was evaluated. Board member made several suggestions. Wilkins will work with Nelson on completing the evaluation document and will comment on performance over the past two years.

Berry gave an update on the 2nd Oregon Conference on Aviation, which will be held in Redmond June 18-20, 2002. The theme is "Air Service to Oregon Communities...How to Get it...& How to Keep it Going." The conference information and registration material will be mailed on Friday,

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April 19th. A discussion followed on whether participation by Board members would be Board business or personal business. It was decided that participation would be considered Board business.

At the intensive work session in February, Nelson volunteered to draft a resolution requesting that the Governor reappoint Bill Wilkins as chair for the next year. Wilkins reported that Nelson asked if he should include himself as vice-chair in the resolution. The Board members agreed he should do so.

Griffin opened a discussion on the insurance document. He stated his concern about the cost and ability to obtain pollution liability insurance. He asked the Board for direction. The Board discussed the following:

- Spills, large and small
- Leaks
- Underground and above ground tanks
- State self-insurance

The Board directed Griffin to include pollution liability insurance for the state's protection and revise the language defining the word "commercial" and when it applies. They asked him to bring the document back to them in May to consider approval. They also directed Rosik to investigate the possibility of the state self-insuring itself.

Burrill gave an update on the proposed aviation summit. He has met with and received support from Senator Wyden, and will be meeting with Senator Smith. Steve Schreiber is going to talk to Secretary Mineta and FAA Administrator Jane Garvey. Burrill will be working with Crook to identify who should participate.

Wilkins introduced Bob Noble, Eugene Airport Manager, and thanked the airport for hosting the reception held the previous evening. Noble stated he looked forward to the activities of the Board. Noble gave a presentation on the Eugene Airport, noting the following:

- The airport is owned by the City of Eugene, however, there has been some debate over creating a special airport district. Part of the objection to forming a district is Eugene is responsible for the 1988 terminal renovation bond payments for six more years.
- The airport serves the area from the Cascades to the coast, Albany to Roseburg, and the coastal area from Coos Bay to Newport. Customers are split evenly between business and leisure travelers.
- The airport covers 2500 acres. There are approximately 200 fixed wing based aircraft and 75 hangars.
- The airport is far enough out of town so they don't get a lot of noise complaints.
- The number of diversions has decreased because of the installation of high-density lighting.
- Commercial air service is provided by Air West Express, Horizon, United and United Express.
- The airport partners with several groups within the community, including the Airport Advisory Committee, Chambers of Commerce of Eugene and Springfield, Travel Bank (local businesses that have contracted with airlines to initiate air service), economic development people in the southern Willamette Valley, travel agents and Lane Community College.
- The airport has one full service FBO (Flightcraft), ½ service (Friendly Air) and some independent flight instructors.

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- There are approximately 115,000 operations a year; 80 percent are general aviation.
- Construction of a parallel runway is planned for FY 2004-2005. It is a controversial subject and opposed by the FBO.
- Air service is slowing coming back after 9/11.

Noble reported that the airport lost 250 parking spaces in the aftermath of 9/11. The airport is taking the following steps to solve the problem:

- Planning a new parking expansion
- Issue waivers for rental cars (which have already been searched)
- Looking at using the abandoned parking area as valet parking

Wilkins requested that a directional sign to Corvallis be installed. Noble responded that there used to be one until the roads were reconfigured and said he would look into a sign that would direct users to Highway 99.

Noble displayed the award the airport received at the FAA conference for commitment to excellent planning, environmental sensitivity and airfield construction to anticipate and meet the needs of the aviation community. He commented that the airport has a good relationship with the FAA.

The Board thanked Noble for his presentation and congratulated him on the award.

Wilkins moved to planning future meetings. It was decided not to have a meeting in July.

Berry reported that the August meeting will be on Friday, August 16, 2002, the day before the Hillsboro Air Show. Arrangements for that meeting are stilling being made.

The Board identified the following agenda items for the May meeting in Newport:

- Legislative concept approval
- Review, discussion and public comment on the Rates and Charges Policy
- Quarterly budget report
- Updates on Education Task Force, June aviation conference, final Annual Report, aviation summit
- E-Board request for AIP for Siletz Bay
- Overview of Proposed Administrative Rules on Leasing at State-Owned Airports
- Consider approval of Smart Airport Contracting insurance document
- Director's review document
- Consent calendar

Future agenda items include:

- Hearing on Proposed Administrative Rules on Leasing at State-Owned Airports in June
- Economic development in June

There being no further business, the meeting was adjourned at 2:49 p.m.

Respectfully submitted,
Carma Gale, Office Manager