

DEPARTMENT OF AIRPORTS



COUNTY OF SAN BERNARDINO
PUBLIC AND SUPPORT
SERVICES GROUP

825 East Third Street, Suite 203 • San Bernardino, CA 92415-0831 • (909) 387-7801
Apple Valley Airport - Baker Airport - Barstow/Daggett Airport - Chino Airport - Needles Airport - Twentynine Palms Airport

J. WILLIAM INGRAHAM, A.A.E.,
Director

December 22, 2005

Kathleen Rollings-McDonald, Executive Officer
Local Agency Formation Commission
175 West Fifth Street, Second Floor
San Bernardino, CA 92415-0490

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LAFCO
San Bernardino County

RE: County Service Area (CSA 60) Service Review
Department Review Committee Findings

Dear Ms. Rollings-McDonald,

The following is offered in response to your letter of November 23, 2005 regarding the LAFCO Department Review Committee (DRC) meeting held October 27, 2005. The enumerated responses correspond to those in your letter.

1. It is our understanding that LAFCO is accomplishing this item.
2. I discussed the Town of Apple Valley's Comprehensive Airport Land Use Compatibility Plan (CALUCP) with Ken Henderson, Apple Valley Director of Economic and Community Development. We agreed that County staff will review the most recent State of California Airport Land Use Planning Handbook and prepare a map overlay to compare the state guidelines with the CALUCP. If it is determined that the current CALUCP does not adequately protect the airport, the two agencies will take appropriate steps to begin a planning effort to update the CALUCP.

It should be noted that the recent Apple Valley Airport Layout Plan (ALP) update does not propose significant changes in airport use, the runway system or approach/departure procedures and that the CALUCP was adopted under guidelines that provide significant protection for the airport.

3. During the October 27, 2005 DRC meeting, you questioned the necessity for CSA 60 to continue to exist since the bonds used to finance the original construction of the airport were retired in 1999. In your November 23 letter, you state that "...the original formation was based upon the need for a financing tool to bond for development of the facility."

After considering and rejecting a proposal to form an airport district, CSA 60 was formed by resolution of the Board of Supervisors on December 19, 1966. CSA 60 was affirmed by voters in an election held May 16, 1967, after receipt of a protest petition. The Board resolution creating CSA 60 establishes, within the CSA 60 area, extended County services for... "acquisition, construction or maintenance of a public airport or airports and landing places for aerial traffic and related activities."

The original intention was to build an airport at a location south of Victorville with federal and state funds paying 77% of the cost and CSA 60 revenues the remainder. After a site evaluation, the proposed airport was moved to its present location. In 1968, when a federal grant did not materialize and with CSA 60

MARK UFFER
County Administrative Officer

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unable to bond such a large project without a public election, the airport site was leased to a non-profit corporation, San Bernardino County Desert Airport, Inc., which issued \$2.27 million in bonds for construction of the airport.

Debt service obligations of \$169,000 per year were only a portion of CSA 60 tax revenues. The remaining property tax revenue was (and still is) allocated, along with operating revenues, to staffing, utilities, maintenance expenses, overhead and capital improvements.

As you correctly note, Apple Valley Airport operations are considered an enterprise fund for which service charges can be applied. Ideally, such services charges would fund operating costs. However, there are not sufficient users and tenants at Apple Valley Airport to fully fund operation and maintenance of the airport. Rates and fees for the airport are reviewed annually and are based on periodic appraisal of facilities and comparison with similar facilities elsewhere. Shortfalls in operating costs are funded by CSA 60 tax revenues. Remaining tax revenues are allocated to capital improvements.

One of the primary benefits of CSA 60 is the strong capital improvement program. The most significant project in recent years was the construction of a crosswind runway, greatly enhancing the safety of flight at Apple Valley Airport.

While a significant portion the capital improvement expenditures are for repair, replacement and upgrading airport infrastructure, funds are also used to construct facilities that generate rental income. Current examples include the Law Enforcement and T-Hangar construction projects. These projects, and projects like them, generate operating revenue that ultimately will increase the airport's self-sufficiency.

If CSA 60 tax revenues were not available for airport operations and maintenance, the shortfall would have to be made up from other sources, most likely resulting in a negative impact on the County's general fund. Capital improvements, including ongoing major maintenance projects would be deferred indefinitely.

In the absence of tax revenue, construction of new facilities to meet aviation demand would fall to private developers building on long-term ground leases. These ground leases generate significantly less revenue than would be generated by facility leases, further delaying the day that airport operating revenues would be sufficient to cover operating costs. It should also be noted, that, absent facilities at Apple Valley Airport to meet the growing demand for general aviation services in the area, Southern California Logistics Airport, would be obligated under federal commitments to accommodate more of the smaller aircraft operations, hampering the synergy that currently exists between the two airports.

In your November letter, you also ask about the feasibility of expanding CSA 60 to include the north and east portions of the desert area. The County's desert airports include Baker Airport, Barstow/Daggett Airport, Needles Airport and Twentynine Palms Airport. While I am not in a position to address the political or legal aspects of such a proposal, I can provide the following information on the airports and financial needs.

The County is the only entity with publicly owned and operated airports in the desert areas, with the exception of a relatively small airport district in Yucca Valley. Currently, the County's desert airports do not benefit from tax revenues for operating costs, other than a \$10,000 annual state operating grant for each airport.

The airports are, however, eligible for federal and state capital improvement grants and the Federal Aviation Administration has invested significantly in repair and upgrade of runways and taxiways. However, there is not a source of revenue for development of hangars and terminal buildings at these airports, facilities which generate operating revenues to support the airports. There is an obvious difference

in the amount and quality of facilities at these airports and those at Apple Valley Airport which benefits from CSA 60 revenues.

At the present time, there is not sufficient demand for facilities at the desert airports to justify private developer investment and there is no practical source for public construction funds.

- 4a. Annually, the Auditor/Controller-Recorder's (ACR) office provides a summary of projected property tax revenues allocated to various special districts. The summary includes "Gann" limits for various agencies, but not for CSA 60. Department of Airports' staff uses the projected tax revenues, in addition to projected operating income, to propose a budget for CSA 60.

After receipt of your November 23, 2005 letter, expressing concern that "Gann" limits may not have been applied to CSA 60, we questioned County Fire Budget Section and ACR staff for an appropriate response. We were initially advised that "Gann" limits may not apply to CSA 60 because the district operates as an enterprise fund. I was unable to verify this exception in a cursory review of state statutes and requested additional information from the ACR. The ACR is currently reviewing the question and, at the time of this writing, I have not received a response.

I intend to supplement this information when I receive a response from the ACR.

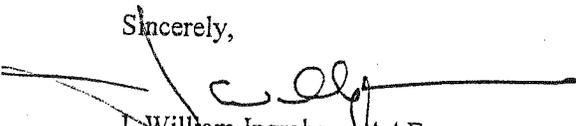
- 4b. For FY 2005/06, there is no budgeted operating reserve for CSA 60. The budget does include \$454,131, budgeted as a transfer to the capital improvement program at the end of the fiscal year. The actual amount transferred will be dependent on final revenues and expenses at fiscal year end closing.

The FY 2005/06 Capital Improvement Program budget anticipated a capital reserve of \$1,414,429 after funding Apple Valley Airport projects. This amount was reduced to \$1,350,144 during FY 2004/05 year-end budget closing reconciliations. Since that time, the Board of Supervisors has approved additional budget funding to the project to construct T-hangars, combined with public restrooms, and to the reconstruction and widening of Taxiway A. The Board of Supervisors has also approved a budget for a mid-year project to add an additional row of T-hangars in the initial amount of \$500,000.

Attached is a summary sheet of the capital projects and the Fund RAI construction contingency. At the present time, the budgeted capital reserve amount is \$678,108.

Please let me know if you have any questions or need additional information.

Sincerely,


J. William Ingraham, AAE

cc: Ken Henderson, Economic Development Director, Town of Apple Valley
Joon Cho, Auditor/Controller-Recorder's Office