BFAC AIRPORT FINANCE SUBCOMMITTEE PROGRESS REPORT # 2

SUMMARY OF RECOMMENDATIONS

The BFAC Airport Finance Subcommittee has unanimously agreed upon the following recommendations. Additional revenue enhancement and related recommendations will be forthcoming as the committee continues its work. Each of these recommendations and the supporting rationale is described later in this report after the section entitled **BASIS FOR RECOMMENDATIONS.**

1. **BEGIN PAID PARKING AT AIRPORT [WINTER/SPRING 2015]**
   a. Establish overnight/hourly parking rates and fines by Board resolution.
   a. Pave grassy area to left of entrance to terminal for 2015 rental car parking.
   b. Prohibit parking and put up no parking signs along Daniels Hole Rd. and entrance drive to terminal building by Board resolution.
   c. Authorize an expenditure of to
      i. Number the parking spaces and put up appropriate signage
      ii. Purchase and install Luke II multi-space parking machine
      iii. Connect cabling for parking machine
   d. Finalize enforcement arrangements and manpower needs with Police Department
   e. Adjust justice system processes to segregate fines for airport parking to flow back to Airport Fund and for Daniels Hole Road parking fines to the Part Town Fund

2. **NEGOTIATE CONTRACTS WITH CAR RENTAL COS. [SUMMER/FALL 2015]**
   a. Issue RFP for up to 10–year leases of spaces to rental car companies (whether or not they presently have rental desks at the terminal)
   b. Negotiate leases, including parking, servicing and storing of vehicles
   c. Coordinate approvals with FAA and Town planning and other departments
   d. Build longer term rental car facilities as specified in signed leases

3. **ISSUE RFP TO LEASE LAND FOR ADDITIONAL HANGAR SPACE FOR LOCALLY OWNED AIRCRAFT [SPRING/SUMMER 2015]**

   Inadequate supply forces some local aircraft owners to use tie downs exposing their investments to the elements and vandalism or hangar nearby and fly into East Hampton

   a. Follow the same procedures used in the past whereby aircraft owners formed hangar condo associations that hired builders, financed, built and maintained hangars
   b. Offer net leases of land solely to groups or individual owners of locally owned aircraft.
   c. Coordinate approvals with FAA and Town planning and other departments

4. **ISSUE RFP FOR COMMERCIAL BROKER TO LEASE 35 ACRES OF VACANT COMMERCIAL/ INDUSTRIAL LAND AT AIRPORT [EARLY 2015]**
   a. Make available 15 vacant lots along Industrial Road comprising about 30 acres
   b. Make available a 5½ acre lot north of the airport property near the gun club.
   c. Grant selected broker a one year exclusive renewable annually by mutual agreement.

5. **OBTAIN A CHANGE TO NY STATE LAW TO PERMIT 20 YEAR BONDS. [SPRING 2015]**

Current law permits only airports with at least 1,000 acres to issue bonds with maturities longer than a 10 years. HTO, with 610 acres, is currently limited to financing improvements with 10 year bonds

   a. Have bond counsel draft proposed legislative language to level the playing field.
   b. Work with state legislators to obtain modification to State law.

6. ISSUE RFP FOR EXPERIENCED LEASE ADMINISTRATOR [EARLY 2015] TO

a. Review all current leases and compile an updated database
b. Confirm past rental increases and compute future increases
c. Send monthly bills on behalf of Town
d. Receive and deposit payments to a Town account and manage accounts receivable
e. Manage delinquencies and send routine dunning notices
f. Support town attorney on lease defaults and other lease negotiations
g. Maintain on-line copies of all leases and related documents
h. Prepare/submit billing and collection reports to the Airport and Finance Department
i. Assist Town in preparation of standard airport property lease.
j. Coordinate with Tax Assessor's office

7. IMPROVE COLLECTION OF LANDING FEES. [5/15/15 OR SOONER]

a. Add cameras to existing Vector system this winter
b. Replace existing flight tracking system with Vector's integrated noise and operations monitoring system (VNOMS) to
   - Enhance collections
   - Reduce operating expenditures
   - Improve the accuracy of Vector's billing
   - Restore real time flight tracking
   - Automate reporting of aircraft compliance with voluntary routes and minimum altitudes.
   - Integrate flight tracking information with PlaneNoise complaint data.
c. Add sensor(s) to better track aircraft, especially at low altitudes
d. Add cameras for: (a) departures; and/or (b) touch and goes.
e. Relocating the airport management office in existing terminal would improve surveillance of airport and accuracy of visual confirmation of aircraft movements.

8. UPGRADE FUEL FARM & FUEL OPERATIONS [2015-16]

a. Engage an environmental contractor now to test for major leaks with underground probe
b. Thoroughly inspect present fuel farm below ground
c. Install credit card operated pumps (Gasboys) to automate data collection and expedite FBO billing and payment, provided they are compatible with replacement tanks.
d. Authorize airport engineer to design desired configuration for replacement fuel farm
d. Coordinate approvals with FAA and Town planning and other departments
e. Authorize expenditure to replace underground 30 year old tanks with new larger capacity and environmentally safer tanks.

9. ADOPT ENTERPRISE FUND ACCOUNTING (EFA) OR ALTERNATIVE FINANCIAL REPORTING [WINTER/SPRING 2015]

a. Make airport financial reporting more understandable to the Board and advisory boards.
b. Make airport financial reporting more amenable to analysis by financial professionals
c. Make airport financial reporting more transparent to the public.
d. Provide quarterly financial summary reports
e. Distinguish between operating, capital and other costs & revenues
f. Provide income and cash flow statements, balance sheet and depreciation schedule

The subcommittee is continuing to work on several areas of revenue enhancements and cost reductions including, conversion of the heat for the terminal from its present heating fuel, altering the way aircraft fuel is bought and inventoried for the airport, the possibility of solar arrays and energy storage facilities on vacant land, changes to the landing fee schedule and the like.

BASIS FOR RECOMMENDATIONS

On February 6, 2014, the East Hampton Town Board passed Resolution-2014-147, which tasked the East Hampton Town Budget & Financial Advisory Committee (BFAC) "with undertaking a financial analysis of the East Hampton Town Airport including airport income and expenses as well as new revenue streams, which can serve as a baseline of agreed upon data for further discussions and policy decisions by the Board."

On April 26, the BFAC Airport Finance Subcommittee issued a report to the Town Board[1], which "concluded that (emphasis added):

> "**with readily achievable revenue growth but without FAA fun**ds or any of the revenue enhancement opportunities currently being investigated by the SubCommittee **the town could generate sufficient cash flow** from airport operations and properties to pay debt service on bonds **to finance $5.1 to $8.5 million of capital expenditures**… **subject to the caveats and assumptions stated herein**.
>
> "**With revenue enhancement larger capital programs could be supported or higher fund balances accumulated to guard against contingencies.**"

The report concluded with the following caveats related to the adequacy of fund balances if the maximum amount of debt is issued (emphasis added):

> ***"Fund Balances/Reserves: Caveats***
> "**Fund balances may be required for a variety of contingencies, including** seasonal variations in cash flow, economic downturns, emergencies, **consultants' fees and litigation**.
>
> "**No assurance can be given, however, that even $2.5 million in fund balances (reserves) would be sufficient to meet all contingencies.**
>
> "**Accordingly, the SubCommittee has begun to explore revenue enhancement opportunities, such as paid parking, increased fuel flowage fees and increased lease revenues.**
>
> "**Revenue enhancements**, which would help (i) increase available debt service coverage to support increased capital improvement programs and/or (ii) build reserves to guard against contingencies and/or (iii) reduce borrowing, **will be the primary focus of the Subcommittee's continuing work.**"

Included in all scenarios was the assumption that landing fees would be increased by 5% per annum, beginning in 2015.

UPDATED DEBT CAPACITY ANALYSIS

Changes in Facts, Circumstances & Assumptions

This update to the April 26, 2014 **Preliminary Airport Debt Capacity Analysis** from the BFAC Airport Finance Subcommittee incorporates the following changes that have occurred since that date:

- Landing fees increased by 10 percent as of June 1, 2014
- Fuel Flowage Fee increased from 15 cents to 30 cents per gallon as of July 1, 2014.
- A substantial year-to-date increase in flight volumes as of October 31, 2014 resulting in adjustments to estimated future growth rates for jets, helicopters and other fixed wing aircraft.

Jan.-Oct. Flight Ops	2013	2014	% Increase
Helicopters	5,352	7,946	48.5%
Jets	3,410	3,558	4.3%
Other Fixed Wing	10,456	12,440	19.0%
Total Flight Operations	**19,218**	**23,944**	**24.6%**

[1] BFAC Airport Finance Subcommittee Progress Report: Preliminary Airport Debt Capacity Analysis

- A substantial increase in Planning & Development costs to create and implement a noise abatement program and the ongoing development of a five year capital plan for 2015-19.
- Actual rent receipts in 2013 and 2014 as the basis for increases in future rent receipts during the forecast period. However for purposes of a conservative presentation, no substantial increases of new or renewed leases are assumed in the scenario below, although they are probable.
- NY State law limiting the term of bonds used to finance airport capital improvements to 10 years, even when expected useful life is 15 to 20 years.
- Reduction in helicopter flights moved up from 2016 to 2015. [when and if there is a Board determination to reduce operations of other types of noisy aircraft there could be a substantial decrease in revenues from landing fees and fuel flowage fees unless one or both are increased further, whether or not peak pricing of landing fees can be implemented as suggested by, among others, some members of the helicopter community]
- Refinements to the model to more accurately reflect the financial impact of changes in volume of helicopters, jets and other fixed wing aircraft (OFW) on landing and fuel flowage fees.

Because fiscal year 2014 is now nearly over, actual 2014 capital expenditures are known to have been approximately $720,000, and the 2015 budget has been prepared, the forecast period has been extended by one year to 2019.

Scenario 2B Revised: 66% Reduction in 2015 Helicopter Flights; Zero Growth Thereafter

In order to calculate the theoretical minimum debt capacity of the airport, we have used the most challenging scenario (2B) from the earlier report, involving a 50% reduction in helicopter flights from 2013 flight operations (from 5,728 to 2,864). Since helicopter traffic has risen dramatically in 2014, this translates to a 65.6% reduction in projected 2014 helicopter flights using the last 12 months of flight data, i.e. Nov. 2013 through Oct. 2014. It is assumed that the reduction will take place in 2015, that no further growth in helicopter traffic will take place after 2015 and that no growth in fixed wing traffic will take place. This is an even more conservative fiscal scenario than any of those presented in the April 26 Preliminary Debt Capacity Report.

RESULTS

Given all the changes above, including increases in landing and fuel flowage fees implemented in 2014 but not reflected in the Preliminary Debt Capacity Report (April 26, 2014), the resultant debt capacity for the most pessimistic scenario (described above) is now estimated to be $5.57 million and 2019 year end fund balance of approximately $1.8 million (as shown in **Exhibit I** below), about what is expected at year end 2014. Key assumptions include:

- 2015 Helicopter flights reduced to 50% of 2013 volume.
- Zero growth of all air traffic except as noted above.
- Zero growth in landing and fuel flowage fees and no revenue enhancements.

The results, which are shown in **Exhibit I** below, ***do not reflect litigation expenses***:

Exhibit I - Updated Debt Capacity (Scenario 2B revised) and: No Growth in Air Traffic; No Fee Increases; No Revenue Enhancement

Helicopter Reduction in 2015: 65.6%		Projected						
Operating Data		**2014 Est.**	**2015**	**2016**	**2017**	**2018**	**2019**	**CAGR/ 5 Yr Totals**
Transient Operations		18,908	15,160	15,160	15,160	15,160	15,160	
Locally Originated Operations		5,600	5,367	5,367	5,367	5,367	5,367	
Total Operations		**24,508**	**20,527**	**20,527**	**20,527**	**20,527**	**20,527**	
Helicopters		8,322	2,864	2,864	2,864	2,864	2,864	**0.0%**
Jets		3,749	4,086	4,086	4,086	4,086	4,086	0.0%
Other Fixed Wing		13,577	13,577	13,577	13,577	13,577	13,577	0.0%
Fuel Sales (Gallons)		888,062	760,815	760,815	760,815	760,815	760,815	
Average Landing Fee		$183.49	$163.50	$163.50	$163.50	$163.50	$163.50	0.0%
Avg.Lnding Fee/Op - Helis		$105.24	$108.05	$108.05	$108.05	$108.05	$108.05	0.0%
Avg.Lnding Fee/Op - Jets		$154.16	$158.80	$158.80	$158.80	$158.80	$158.80	0.0%
Avg.Lnding Fee/Op - OFW		$20.69	$20.69	$20.69	$20.69	$20.69	$20.69	0.0%
Revenues		**2014 Est.**	**2015**	**2016**	**2017**	**2018**	**2019**	**CAGR**
Landing Fees	10%	$1,734,690	$1,239,347	$1,239,347	$1,239,347	$1,239,347	$1,239,347	
Billing Svc for Landing Fees		($225,510)	($175,148)	($175,148)	($175,148)	($175,148)	($175,148)	
Rents from Existing Properties		$605,000	$624,965	$645,589	$666,893	$688,901	$711,634	3.3%
Fuel (net)	$0.30	$220,632	$228,244	$228,244	$228,244	$228,244	$228,244	0.0%
Revenue Enhancment								
Advertising		$50,000	$51,500	$53,045	$54,636	$56,275	$57,964	3.0%
Vending Machines, Int. + Other		$3,331	$3,441	$3,554	$3,672	$3,793	$3,918	3.3%
Total Operating Revenues		**$2,388,143**	**$1,972,349**	**$1,994,632**	**$2,017,645**	**$2,041,413**	**$2,065,960**	
Expenditures								
Salaries		($198,570)	($209,935)	($216,233)	($222,720)	($229,402)	($236,284)	3.0%
Employee Benefits		($148,298)	($160,097)	($173,606)	($188,253)	($204,137)	($221,361)	8.4%
Robinson Aviation (est.)		($346,703)	($312,500)	($321,875)	($331,531)	($341,477)	($351,722)	3.0%
Airscene+PlaneNoise		($122,416)	($125,900)	($129,677)	($133,567)	($137,574)	($141,702)	3.0%
Genl. Insurance		($102,695)	($84,528)	($87,064)	($89,676)	($92,366)	($95,137)	3.0%
Utilities		($74,548)	($62,400)	($64,272)	($66,200)	($68,186)	($70,232)	3.0%
Snow Plowing		($125,500)	($150,000)	($150,000)	($154,500)	($159,135)	($163,909)	3.0%
Maintenance & Repairs		($11,037)	($16,420)	*($16,913)*	($17,420)	($17,943)	($18,481)	3.0%
All Other Maintenance		($50,800)	*($92,983)*	*($95,772)*	*($98,646)*	*($101,605)*	*($104,653)*	3.0%
Other		($117)	($10,470)	($10,784)	($11,108)	($11,441)	($11,784)	3.0%
Total Operating Costs		**($1,180,684)**	**($1,225,234)**	**($1,266,196)**	**($1,313,621)**	**($1,363,266)**	**($1,415,264)**	
EBITDA		**$1,207,459**	**$747,116**	**$728,436**	**$704,024**	**$678,147**	**$650,696**	**$4,715,878**
Existing Debt Service		($131,660)	($131,450)	($78,718)	($78,918)	($78,918)	($78,918)	($578,581)
Addl. Debt Service		($40,078)	($145,425)	($362,781)	($441,911)	($441,911)	($441,911)	($1,874,018)
Net Operating Cash Flow		**$1,035,722**	**$470,241**	**$286,937**	**$183,195**	**$157,318**	**$129,867**	**$2,263,279**
Planning & Development, incl. Legal		($260,000)	($270,000)	($270,000)	($150,000)	($150,000)	($150,000)	($990,000)
Capital Expenditures		($720,000)	($3,500,000)	($1,350,000)				($5,570,000)
Debt Issued		$720,000	$4,220,000	$1,350,000	$0	$0	$0	$5,570,000
Litigation		$0	$0	$0	$0	$0	$0	$0
Change in Fuel Inventory (at cost)		$0	$0	$0	$0	$0	$0	$0
Adjustment		($232,000)	$0	$0	$0	$0	$0	($232,000)
Xfer to Genl Admin.		*($178,369)*	*($183,720)*	*($189,232)*	*($194,909)*	*($200,756)*	*($206,779)*	*($1,153,764)*
Rent & Other Adjustments								
Net Cash Flow to/(from) Reserves		**$365,353**	**$736,521**	**($172,295)**	**($161,714)**	**($193,438)**	**($226,911)**	**$347,515**
Year End Reserves		**$1,855,707**	**$2,592,227**	**$2,419,932**	**$2,258,218**	**$2,064,780**	**$1,837,869**	
Debt Service Coverage (DSC)		**7.03**	**2.70**	**1.65**	**1.35**	**1.30**	**1.25**	

Sensitivity Analysis

The table below show the effect of conservatively increasing revenues from landing fees and other sources. To the extent significant litigation expenses are incurred, they would be required to be offset by more substantial increases in existing revenue sources. If landing fees are increased by 3% or 5% annually, debt capacity increases from $5.57 million to $6.475 million and $7.145 million respectively. In both cases fund balances at the end of the forecast period would be approximately the same as at the end of FY2014 (approximately $1.8 million). If additional revenue from non-aviation sources (see **REVENUE ENHANCEMENT/SAVINGS** below) are added, capital expenditures funded with debt could rise to nearly $10 million and ending fund balances in 2019 could exceed $2.4 million.

ASSUMPTIONS					RESULTS	
Helicopter Flights in 2015	**Helicopter Flights 2016-19**	**Jets, OFW Flights 2015-19**	**Landing Fees**	**Revenue Enhancement**	**Debt Capacity**	**Year End 2019 Fund Bal.**
64 % Reduction	0% APG*	0% APG*	0% APG*	$0	**$5,570,000**	$1,837,869
64 % Reduction	0%	0%	3%	$0	**$6,475,000**	$1,823,307
64 % Reduction	0%	0%	5%	$0	**$7,145,000**	$1,866,240
64 % Reduction	0%	0%	5%	$1.4 million	**$9,785,000**	$2,414,974

REVENUE ENHANCEMENT/SAVINGS

Revenue Enhancement could add more than $1.4 million in the next 5 years (2015-19). The table below contains estimates of the net revenues obtainable from instituting paid parking, renting 15 currently vacant properties along Industrial Road and one northwest of the air field (but does not reflect increases in rental income from renewals of existing leases. By adding these revenues to the financial projections above, year-end reserves in 2019 would rise from $1.29 million to $2.73 million. We caution that additional debt capacity from these enhancements is conditional and their nature of the amount and timing imprecise, and we would recommend re-computing debt capacity at least annually as developments unfold.

Revenue Enhancement Items	**2015**	**2016**	**2017**	**2018**	**2019**	**2015-2019**
Paid Parking	$50,000	$100,000	$110,000	$121,000	$133,100	$514,100
New Land & Hangars Rentals		$50,000	$175,000	$300,000	$400,000	$920,000
Revenue Enhancement Totals	**$50,000**	**$150,000**	**$285,000**	**$421,000**	**$533,100**	**$1,439,100**

Along with these revenue enhancements, possible savings from operating efficiencies and preventative maintenance, landing and other fees could increase further to cover litigation expenses, more robust capital expenditures and increases for reserves.

FUND BALANCES/RESERVES: CAVEATS

Fund balances may be required for a variety of contingencies, including seasonal variations in cash flow, economic downturns, maintenance of facilities, emergencies, consultants' fees and litigation. No assurance can be given that the forecast fund balances (reserves) herein would be sufficient to meet all contingencies.

Accordingly, to the extent that non-operational revenue enhancement does not materialize to the extent or within the timeframe considered herein (2015-19) or that capital, litigation or other non-operational costs are greater than expected, landing and other fees may have to be increased at a faster rate than considered herein.

* APG = Annual Percentage Growth

1. BEGIN PAID PARKING AT AIRPORT THIS SPRING

RECOMMENDATION

The BFAC Airport Finance Subcommittee recommends that the town create a paid parking facility at the airport:

- Establish overnight/hourly parking rates and fines by Board resolution.
- Pave grassy area to left of entrance to terminal for 2015 rental car parking.
- Prohibit parking and put up no parking signs along Daniels Hole Rd. and entrance drive to terminal building by Board resolution.
- Authorize an expenditure of to
  - Number the parking spaces and put up appropriate signage
  - Purchase and install Luke II multi-space parking machine
  - Connect cabling for parking machine
- Finalize enforcement arrangements and manpower needs with Police Department
- Adjust justice system processes to segregate fines for airport parking to flow back to Airport Fund and for Daniels Hole Road parking fines to the Part Town Fund

Even assuming some residents rebel against paying for parking, the payback period could be as fast as a year.

BACKGROUND

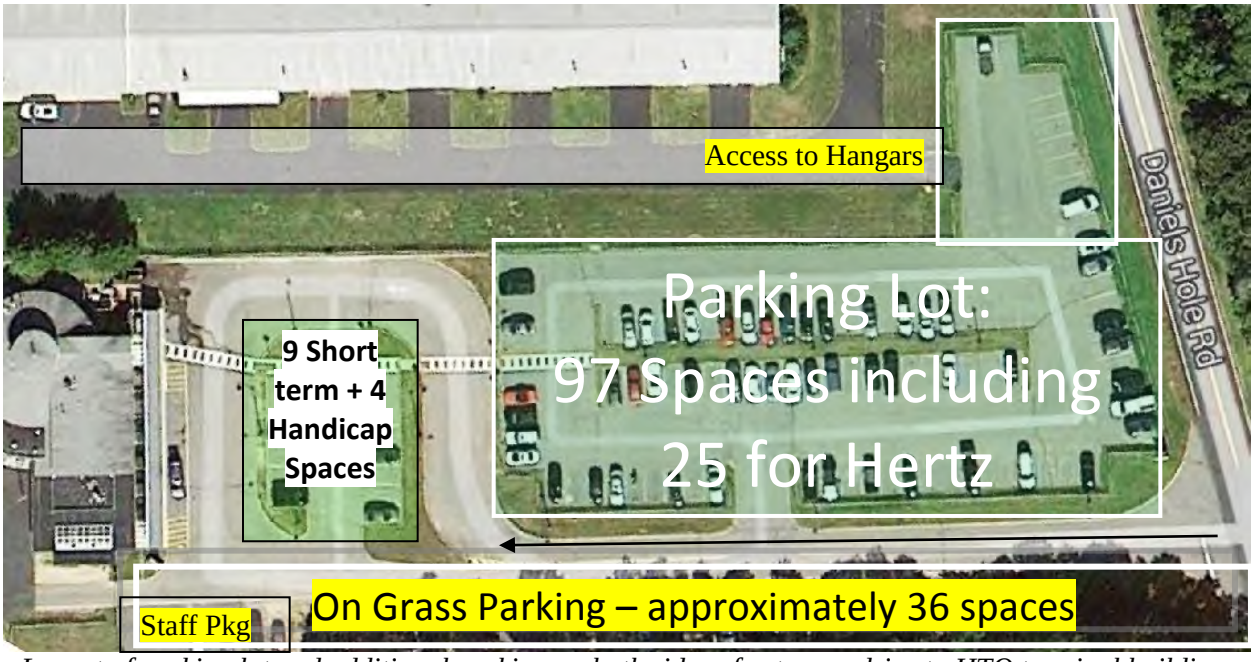
East Hampton Airport (HTO) currently offers free long term parking in a 65 space lot (up to 20-25 spaces are generally occupied by Hertz rental cars) with 13 short stay spaces—but no enforcement. During the summer months the 97 space lot is typically full, and illegal parking takes place along Daniels Hole Road and on grassy areas in and around the paved lot. A frequent attendee at our meetings who, while working for a major investment banking house, looked into buying airports, observed that parking was often the most significant high margin revenue source at most airports. At East Hampton Airport, parking produces no revenue.

Current Capacity

Current parking capacity is 148 spaces comprised of the following.

Main Lot	97
Short Term Parking:	12 (4 handicapped)
Grass across the entrance road:	36
Drop off zone in front of Terminal	3

Of the 97 spaces in the parking lot, about 20 to 25 spaces are currently generally used by Hertz Rent-a-car and additional spaces by Enterprise, Avis and other car rental companies, all without charge.



Layout of parking lot and additional parking on both sides of entrance drive to HTO terminal building.

Informal Parking – Grassy Area

In addition, there are approximately 50 parking spaces (plus staff parking) on the grass across the entrance drive from the parking lot. The airport management has proposed that a portion of this area be occupied by Hertz (the terminal counter lease of which is up for renewal) and Enterprise (which is a sublessee of Sound) and other car rental companies using signage to prohibit all other users; parking would no longer be free for these companies. This could be implemented quickly unless paving is required (which we believe is expected by car rental customers) and would require enforcement with or without paid parking.

Approximately 50 on-grass parking spaces across the entrance drive from the lot.

Illegal & Unregulated Parking

Pervasive illegal parking lends credence to the demand for overnight parking during the summer months as well as the need for effective parking enforcement. During the summer months the parking lot is almost always full, including 20-25 spaces generally used by Hertz, and grassy areas on both sides of the entrance road (bottom of overhead photo) are almost always used to capacity. In addition, it has been observed that illegal overnight parking takes place along Daniels Hole Road during mid-summer. There has been little meaningful enforcement of existing parking laws. The airport and the Town would share the net income (after enforcement expenses) from tickets written and fines collected on airport property and Daniels Hole Road.

On-grass parking just outside parking lot beside entrance drive to Terminal Building

ALTERNATIVES

We have explored paid parking as a revenue enhancement opportunity based on three approaches:

1. **The Automatic Gate Approach:** A national company (LAZ Parking) with substantial experience in airport parking, has proposed a gated system with significant up-front and monthly costs but which permits fine tuning time charges and greatly simplifies enforcement. This system could also better keep traffic flowing outside the terminal with say, a 5-10 minute "free" period for passenger pick up and drop off.
2. **East Hampton Village Approach:** Integrated Technical Systems (ITS) offers a LUKE II system similar to what is currently being used by East Hampton Village at its long term lot. Up-front and monthly costs are much lower than the automated gate approach, but revenue depends to a much greater degree on enforcement.
3. **Paid Attendants:** The committee also considered the use of paid attendants with now new equipment, but the labor costs and difficulties related to receipt and processing of payments persuaded the committee against this approach, despite the fact that it could require the least amount of up-front investment.

The Village Approach offered the least upfront and operating costs by a large margin but depends on continuing enforcement and follow up collection.

The up-front and operating costs of approaches 1 and 2 above for paid parking differ substantially.

EQUIPMENT

Automatic Gate Approach: Restricted Gate Access (LAZ)

Much of the discussion with representatives from LAZ Parking revolved around the selection and operation of parking gates and equipment to receive payment. They stressed the importance of security and monitoring and estimated that the cost of appropriate equipment that would not require an attendant would be $80-100,000 to purchase and $28,000 a year to operate, not including electrical and communications hookups. They can do remote monitoring at a cost about $1000 a month. Recommended equipment suppliers were 3M and Amano. An alternative would be to install solar powered parking meters, which would require monitoring and enforcement personnel.

East Hampton Village Approach - Updated (LUKE II)

LUKE II is a multi-space pay station, as contrasted with individual parking meters, with a colored screen that accepts cash, credit and debit cards and (optionally) coins along with wireless communications and printing capability that facilitates efficient enforcement. It is a newer generation than those used in the village, are programmable and can:

- Accept pay by license plate number or numbered parking space, entered by the customer, as an alternative to receipts on the dashboard, thereby reducing cost of enforcement.
- Accept cash (coins optional), debit and credit cards, contactless payments, such as MasterCard PayPass, and pay-by-phone.
- Send parking expiration reminders to cell phones and allow recipients to extend time by phone (Extend-by-Phone service).
- Print out for a parking attendant, on demand, a list of parking spaces (by number or license plate) for which payment is current.

The following quotes for a Luke II multi-space pay station were received from the manufacturer's representative.

	Solar	NonSolar
Equipment & Freight	$11,784	$11,152
Training	$1,180	$1,180
Total	**$12,964**	**$12,332**

See also: http://www.digitalpaytech.com/products/multi-space-parking-pay-stations/luke-ii.aspx .

FINANCIAL ANALYSIS

Estimated Annual Revenue

Estimated annual revenue ranges from $40,000 for seasonal operation (5/15 to 9/15) charging $5 a day to $160,000 charging $15/day year-round, excluding revenue from parking citations. This assumes that all current paved 97 parking spaces can be made available by relocating Hertz's and other rental company cars or charging them the regular rate to park in the lot. There is potential to increase the number of spaces to 133 by extending open paid parking to the grassy area across the entry drive from the lot. However, discussions are currently under way to lease this area, at least temporarily, to the car rental companies – Hertz and Enterprise – for pick up and drop off.

	Assumptions		Daily Rate		
	Spaces =	97			
Time Period	**Occupancy**	**Days**	**$5.00**	**$10.00**	**$15.00**
July-Aug.	90%	62	$27,063	$54,126	$81,189
Shoulder (5/15-9/15)	45%	60	$13,095	$26,190	$39,285
Fall/Spring	15%	148	$10,767	$21,534	$32,301
Winter	5%	95	$2,304	$4,608	$6,911
May 15- Sept. 15 Subtotal	67.9%	122	$40,158	$80,316	$120,474
Sept. 15- May 15 Subtotal	*11.1%*	*243*	*$13,071*	*$26,142*	*$39,212*
12 Month Avg./Total	30.1%	365	**$53,229**	**$106,458**	**$159,686**

It is probable that actual revenue in the first year may be somewhat less since some residents, who have gotten used to free parking, opt out and have friends or family drive them to the airport or take taxis until they realize driving and parking themselves is more efficient, even with paid parking.

Estimated Operating Costs

Operating costs also vary substantially with the restricted access (LAZ) approach costing several times the LUKE II approach.

	LUKE II	LAZ	
Operating Costs	**Est.**	**Low**	**High**
Enforcement	$16,000	$16,000	$16,000
Remote Monitoring	$600	$12,000	$12,000
Parking Control: Equipment	$600	$28,000	$28,000
Maintenance and Misc.	$5,000	$5,000	$10,000
Total Operating Costs	**$22,200**	**$45,000**	**$66,000**

Site Prep & Equipment

Based on estimates for site preparation provided by the airport management and equipment provided by LAZ Parking and by ITS, initial investment could range from under $40,000 to as much as $233,000 plus any additional installation and minor site prep costs.

	LUKE II		LAZ	
	Low	**High**	**Low**	**High**
Striping/Repaving	$5,000	$15,000	$5,000	$26,370
Paid Parking Signage	$3,000	$5,000	$1,000	$3,000
Paving & Signs for Rental Car Parking	$14,210	$28,420	$14,210	$28,420
New Fencing	$0	$0	$0	$48,000
Parking Equipment	$12,800	25,600	$80,000	$100,000
Communications hookup	$7,500	$15,000	$7,500	$15,000
Total Investment	**$42,510**	**$89,020**	**$107,710**	**$220,790**

All Estimates Subject to Change

LONGER TERM POTENTIAL

No discussion of parking is complete without observing that a number of surrounding hamlets lack adequate parking, although East Hampton Village does not appear to be one of them, except in its core business district along Main Street and New Town Lane. Additional long term parking could serve as a low impact use of one or several vacant lots along Industrial Road. The table below estimates gross revenue potential for various size vacant lots on Industrial Road, zoned C1, by applying lot coverage limitations and 50% utilization at the low equivalent daily rate of $5.00.

Lot Size (Acres)	Lot Coverage	# of Spaces	Daily Rate	Monthly Rate	Assumed Utilization	Annual Gross Revenue
2.0	40%	174	$5.00	$150.00	50%	$158,775
2.47	40%	215	$5.00	$150.00	50%	$196,188
3.1	40%	270	$5.00	$150.00	50%	$246,375

None of these figures include operating and enforcement costs. All assumptions in this table, especially utilization and pricing, should be evaluated in more detail. Like other recommendations of the subcommittee, consideration should be given to simply renting a vacant parcel to a private parking operator.

A Governor's committee led by the late Tom Twomey in the 1990s recommended that the LIRR add a station at Industrial Rd, thereby relieving congestion in the Village. If the initial project, as described above, proves successful, the town may wish to do a study of the demand and environmental, as well as economic, impact of additional long term parking at the airport.

2. LEASE AGREEMENTS FOR CAR RENTAL PARKING

RECOMMENDATIONS

Negotiate paid long term parking leases agreements with car rental Cos. [summer/fall 2015]

1. Issue RFP for up to 10–year leases of spaces to rental car companies (whether or not they presently have rental desks at the terminal)
2. Negotiate leases, including parking, servicing and storing of vehicles
3. Coordinate approvals with FAA and Town planning and other departments
4. Build longer term rental car facilities as specified in signed leases

DISCUSSION

The subcommittee has confirmed that once the main lot has been converted to paid parking, there will be a demand from car rental companies for drop off/pick up parking, cleaning, fueling and servicing and longer term storage areas for their rental cars.

1. Drop off/pick up parking on the currently grassy area on the left of the entrance in the main parking lot used now for informal parking
2. A longer term solution near the terminal consisting of storage parking, car wash capabilities and possibly a building to house attendants and supplies. Depending on final configurations the drop off/pick up area in 1 above may eventually be incorporated in this area.

Airport management and members of the subcommittee have had discussions with representatives of Hertz and Enterprise which currently have offices at the airport and an on-site meeting with Scott Pfleuger, Director of Properties & Concessions for Hertz. Other car rental companies such as Avis which do not have a desk at the airport but regularly drop off and pick up cars in our lot may want permanent locations. Hertz is to come back to us with specific requirements, and we will be following up with the other car rental companies once this program has received conceptual approval of the Board

REQUIREMENTS

Parking

Besides passengers arriving at and departing from the airport, there are some renters with no connection to the airport who are picking up and dropping off rental cars at the airport lot. Since parking is now free at the airport, some rental companies are storing cars in the lot for varying periods. Some of the rental cars are being washed and serviced while in our free lot. Each of these activities is a source of revenue enhancement for the airport.

Possible Locations

Car rental parking would be set up, at least initially, by paving and adding signage to the present grassy informal parking area on the left of the entrance to the main lot.

As a longer term solution including storage and maintenance, the Hertz representative stated that they would prefer that all their cars (including those immediately being dropped off and picked up) be visible from the terminal for retailing purposes. In further discussion, several possible locations were discussed but only two were seriously considered: (a) a treed area on the other side of the wood fence on the left side of the grassy area of the present lot (next to the aircraft tie-downs) and (b) directly across Daniels Hole Road from the entrance drive to the terminal building. ***Unlike the former, the latter is in a Priority Groundwater Protection Area.*** Both locations would involve some tree removal. A location on Industrial Road was dismissed initially by Hertz for even long term storage and maintenance since it would not provide retail visibility for people using the airport or driving by.

Car Wash

The ability to wash rental cars is important and is now being done in our free lot, without environmental safeguards, hence the need for water and electrical services in the car rental parking area. Capabilities could range from hoses or pressurized wands to a covered, drive through car wash. Hertz would prefer that a car wash be automated and did not rule out sharing a car wash facility with other rental car agencies, but was adamantly opposed to using a facility that was open to the public due to the delays that could occur during peak periods.

Fueling

Hertz also emphasized the need to be able to refuel cars. Although it would be possible to include rental car refueling near the current fuel farm or at a second location at the airport also already FAA approved as a fuel farm site, Hertz would prefer refueling within their long term parking/storage area.

Building Space/Possible Structure

Although a separate small building could be constructed to house car rental attendants and supplies, there is the possibility of expanding the rental counters in the terminal building and possibly adding on to the present terminal building. These decisions would be made once the specific requirements of all the car rental companies were known and lease rates were discussed. It should be noted that while Hertz leases counter space directly from the airport, Enterprise is a subtenant of Sound for counter space and may make arrangements for all or a portion of its space or parking needs with Sound

ALTERNATIVE FINANCING

Apparently it is common for Hertz to tack on a NY State approved Construction Facility Charge (CFC) to its airport rental car charges. The CFC would be designed to amortize construction and finance charges for the car rental facilities over 10 years. Under this procedure the Town would bear the cost of design and construction for the car rental facilities, for which it would be reimbursed over time by the CFC until the bonds for such work were paid off. The CFC would be in addition to the base rental charges to the car rental companies for terminal space and parking which would continue after the CFC terminated.

NEXT STEPS

Hertz has sent the airport a standardized questionnaire to be filled out by all rental car companies, i.e. a needs assessment. Once these are completed by interested car rental companies, we will have a better idea of the overall needs and be able to simplify the RFP process. If the Town Board approves moving forward with rental car parking and we have a needs assessment for Hertz, Enterprise and possibly other car rental companies, the Town could begin the conceptual design/sketch phase. Depending on the needs

assessments, the conceptual design could include separate parking and processing areas plus expanded rental counter space at the terminal building. Any conceptual designs would be reviewed with the applicable Town Departments including Planning and Environmental Resources and coordinated with the FAA. Once conceptual design was completed, new long term lease agreements would be negotiated with each rental car company before any detailed design or construction takes place.

3. RFP TO LEASE LAND FOR ADDITIONAL HANGAR SPACE

RECOMMENDATIONS

Inadequate supply forces some local aircraft owners to use tie downs exposing their investments to the elements and vandalism or hangar nearby and fly into East Hampton

1. Follow same procedures used in the past whereby aircraft owners formed hangar condo associations that hired builders, financed, built and maintained hangars.
2. Offer net leases of land solely to groups or individual owners of locally owned aircraft.
3. Coordinate approvals with FAA and Town planning and other departments

DISCUSSION

The Town has established the principle that the airport should not be expanded. The unanimous view of all subcommittee members is that there would not be an expansion of the airport by virtue of leasing land for construction of new hangars for locally owned aircraft presently at tie downs or locally owned but hangared nearby at West Hampton.

In recent years new hangars have not been built at the airport and the resale prices for the existing hangars have been rising. Also some of those available for sale are different configurations from those needed. Based on discussions with representatives of a group of local pilots, there is significant interest in building new hangars.

While it would be possible for the airport to finance and build the hangars and rent the structures to local aircraft owners, the subcommittee recommends against this alternative even though it could possibly increase airport revenues over the long term more than merely leasing land.

As has been done several times in the past at the airport, the subcommittee recommends that the Town simply rent airport land to a hangar condominium(s) formed by a group of local pilots. The hangar condominium would plan the multi-plane facility and its connection to existing taxiways, arranged private financing, hire a builder, supervise construction and maintain the completed hangar facility.

In order to satisfy typical lender requirements, as in past, the hangar condominium would need a long term land lease from the airport. Since these leases would be for aeronautical purposes, the grant assurances under the existing FAA grants do not require that these leases be at fair market rental value for commercial properties as would be the case for non-aeronautical uses on Industrial Road and other airport property.

While the hangar lease rentals will increase airport revenues, the major reason for the program would be to provide for safe and secure premises for local pilots to store and work on their aircraft.

4. ISSUE RFP FOR COMMERCIAL BROKER

RECOMMENDATIONS

Issue RFP for commercial broker to lease 35 acres of vacant commercial/ industrial land at airport

1. Make available 15 vacant lots along Industrial Road comprising about 30 acres
2. Make available a 5½ acre lot north of the airport property near the gun club.
3. Grant selected broker a one year exclusive renewable annually by mutual agreement.

THE OPPORTUNITY

Maximum potential annual income over time could be in excess of several hundred thousand dollars In real life, we think the maximum annual rent by the end of the forecast period (2015-2019) for currently vacant properties could range from $500,000 to $600,000. The Subcommittee analyzed past appraisals of airport properties for non-aeronautical uses prepared for the Town and looked at other properties in the general area. However, the Town has ordered new appraisals of properties currently leased (where the tenant is seeking an extension) and these new updated appraisals will need to be reviewed for their applicability to the available inventory of properties at the airport.

Master Plan Lot #	Owner	Permitted Use	Acres
15	Town of EH	Aviation	3.72
16	Town of EH	Aviation	2.51
18	Town of EH	Aviation	1.03
19	Town of EH	Aviation	1.03
23	Town of EH	Aviation	1.84
25	Town of EH	Aviation	2.37
26	Town of EH	Aviation	2.47
NA	*Town of EH*	*Aviation*	*5.50*
Aviation Subtotal			**20.5**
13	Town of EH	Comml.	2.59
14	Town of EH	Comml.	2.62
27	Town of EH	Comml.	0.67
28	Town of EH	Comml.	2.16
29	Town of EH	Comml.	1.84
34	Town of EH	Comml.	0.51
47	Town of EH	Comml.	2.50
48	Town of EH	Comml.	2.10
Commercial Subtotal			**15.0**

It should be noted not all properties may ever be rented

- Rent–up may take several years.
- The prices of other properties in the area similar zoned will be adjusted—up or down-- for a wide variety of factors using standards of the appraisal profession
- Aviation restricted properties may suffer from lack of demand and may not be able to be converted to non-aviation use before 2022 when the remaining grant assurances expire.

It may be possible to obtain FAA approval to release one or more of the lots currently restricted to aviation usage before the remaining grant assurances expire.

5. MODIFY NY STATE LAW TO PERMIT 20 YEAR BONDS

RECOMMENDATIONS

Current law permits only airports with at least 1,000 acres to issue bonds with maturities longer than a 10 years. HTO, with 610 acres, is currently limited to financing improvements with 10 year bonds

1. Have bond counsel draft proposed legislative language to level the playing field.
2. Work with state legislators to obtain modification to State law.

We believe that the Finance Department has already consulted with bond counsel and at least one state legislator on this recommendation.

RATIONALE

In light of the fact that certain of the airport's anticipated construction projects will be runway repairs with a 20 year useful life, limiting the term of the bonds issued to 10 years will increase annual debt service, thereby reducing the airport's debt capacity, which is determined by its operating cash flow.

FINANCIAL IMPLICATIONS

As the table below illustrates extending bond life to 15 or 20 years could substantially increase debt capacity by 38% or 68% respectively, all other things being equal.

TERM OF BONDS (YEARS)	10	15	20
Assumed Average Interest Rate	2.70%	3.00%	3.25%
Amount Borrowed	$2,000,000	$2,000,000	$2,000,000
Annual Debt Service	$230,885	$167,533	$137,558
Borrowing Capacity Equivalent to 10 year bonds (same debt service)	$2,000,000	$2,756,296	$3,356,924
Incremental Borrowing Capacity	**#N/A**	**$756,290**	**$1,356,917**
% Increase in Borrowing capacity	**#N/A**	**37.80%**	**67.80%**

Preliminary discussions with the Finance Department and the town's financial advisors indicate that legislative relief in Albany may be possible.

6. ISSUE RFP FOR EXPERIENCED LEASE ADMINISTRATOR

RECOMMENDATIONS

Issue an RFP for an experienced lease administrator with the following responsibilities

1. Review all current leases and compile a database
2. Confirm past rental increases and compute future increases
3. Send monthly bills on behalf of Town
4. Receive and deposit payments to a Town account and manage accounts receivable
5. Manage delinquencies and send routine dunning notices
6. Support town attorney on lease defaults and other lease negotiations
7. Maintain on-line copies of all leases and related documents
8. Prepare/submit billing and collection reports to the Airport and Finance Department
9. Assist Town in preparation of standard airport property lease.
10. Coordinate with Tax Assessor's office

DISCUSSION

We have found that there are a myriad of lease forms, which, in some cases, perhaps looking similar on the surface, have needlessly different terms or wording of terms imbedded in them.

The Town needs to recognize, especially at the airport, it is a landlord with a large number of tenants. One standard lease form with specialized standard riders will simplify lease negotiation and lease administration; any deviation from the standard terms should require specific board approval with an explanation of special circumstances.

All leases should, barring very special circumstances, start at Fair Market Rental either based on an appraisal or RFP. Rentals should increase each year by a standard CPI index and then subject to a periodic reset based on then fair market rental value ("FMV"). The length of time between the FMV resets would normally be 5 years, but if a building is to be constructed by the tenant (and possibly subject to an institutional mortgage) that periodic FMV reset may need to be 20 years to meet lender requirments.

The rental is a function of both the value of the property and the rate of return sought by investors at that time for income streams of similar quality and duration—with retention by the land owner of the residual land and any improvements not removed by the tenant at the end of the term.

We all recognize that the FMV of properties will vary from time to time. However the rate of return will also vary from time to time (it may increase or decrease with rates of return for long term assets, with some default risk, at that time) and will need to be reevaluated when a new lease is entered into and when a major FMV rental adjustment date comes up or a lease renewed.

Leases once signed, for ongoing administrative purposes, are leases, whether they are for industrial space, FBO areas, hangers or land. One group should be responsible for carefully and professionally preparing lease summary charts, retaining copies of all leases and, amendments, waivers, extension exercises, default letters, etc. That same group should compute lease rents and mail bills—and be available to explain to the tenants any questions they have on the computations. This group would not negotiate leases or restructure them but could provide advice to the Town.

7. IMPROVE COLLECTION OF LANDING FEES, ETC.

RECOMMENDATIONS

Improve collection of landing fees. [5/15/15 or sooner]

1. Add cameras to existing Vector system
2. Replace existing flight tracking system with Vector's integrated noise and operations monitoring system (VNOMS) to
    a. Enhance collections
    b. Reduce operating expenditures
    c. Improve the accuracy of Vector's billing
    d. Restore real time flight tracking,
    e. Automate reporting of aircraft compliance with voluntary routes and minimum altitudes.
    f. Integrate flight tracking information with PlaneNoise complaint data.
3. Add sensor(s) to better track aircraft, especially at low altitudes
4. Add cameras for: (a) departures; and/or (b) touch and goes.
5. Relocating the airport management office in existing terminal would improve surveillance of airport and accuracy of visual confirmation of aircraft movements.

DISCUSSION:

Additional Cameras

Landing fees are a primary source of airport revenue. The present Vector landing fee billing system, through strategically placed cameras, records the unique tail number of an aircraft when one enters a camera's view area on the field. Airport personnel "scrub" the raw Vector reports, prior to billing, to add aircraft visually identified and manually logged by them but missed by Vector and to delete aircraft picked up by more than once within a short period of time by different cameras.

Some areas of the field are not presently covered by cameras and additional cameras should be installed. The estimated cost is about $30,000 and this can be paid for out of current airport funds, bonding or Vector will advance the cost to HTO to be repaid by increasing its bill processing fee to HTO until the cost (presumably plus some interest factor) is recovered by Vector. Since the Town's borrowing cost is currently low it might be more cost effective for HTO to decline Vector's financing offer.

VNOMS

Vector, which currently provides semi-automated landing fee billing services to the airport has proposed a significant upgrade called VNOMS, which be substituted for its existing system at a significant cost savings while adding services that would enhance the airport's ability to monitor noise and charge appropriate fees. It would also replace the separate Air Scene system now used at the airport but which may no longer be cost effective. Airport Management was favorably impressed by the initial VNOMS system which should be reviewed further to determine its utility and also to ascertain whether all the existing cameras, including the new ones described above can be used for it.

Vector's Noise & Operations Management System (VNOMS) offers the following enhancements over HTO's current system at a potentially significant cost savings:

1. Improve the accuracy of Vector's billing system by: (a) installing additional cameras to capture tail numbers and (b) integrating data from cameras with flight tracking data currently provided by Exelis with a 24 hour delay.
2. Restore real time flight tracking, which capability was lost when Exelis bought and centralized HTO's prior vendor (AirScene), which will make it easier for airport staff to respond to noise complaints.
3. Provide airport management with the ability to obtain automated reporting of aircraft compliance with voluntary routes and minimum altitudes.

4. Enable HTO to charge differential landing fees, should the Board so determine, based on compliance with voluntary noise abatement procedures (requires implementation of #3 above).
5. Integrate flight tracking information with PlaneNoise complaint data to enhance the quality and accuracy of relevant complaint data and reduce manual labor.
6. Enhance, with additional cameras, accuracy of departure data, should the latter be of interest to or the basis of fees at HTO sometime in the future.

In addition, Vector could provide integrated flight/complaint data for 2014 and 2013, which might be of use to the airports' stakeholders and consultants as HMMH completes its analysis.

Finally, Vector offers, in addition to enhanced capabilities, a strategic business focus on smaller airports like West Hampton, Truckee (CA), which may cause them to be more responsive to HTO's additional system needs as they are defined.

Relocation of Airport Manager's Office

When the present terminal was designed to have a second story rotunda it was to be the airport management office. With the height and 360 degree views, airport personnel would be able to monitor all parts of the airport property. Instead, when the Town learned that there needed to be an elevator or lift to comply with the Americans with Disabilities law, it built the rotunda but never installed a floor or access to the rotunda which is now empty. Instead the Town added some ground floor space in the terminal for the airport management office.

Especially during the summer, when traffic is heaviest and the most airport landing fees are available for collection, the airport personnel in their present office location often have their view of the field obstructed by aircraft discharging or accepting passengers, fueling, etc. As a result some aircraft missed by Vector cameras are also missed by the visual sightings and so are not billed at all for landing fees.

At all times of year some activity (landings, unauthorized trespassers, deer, possible safety issues, etc.) on the edges of the airport property cannot be seen from the present airport management office. A better location for the airport management office would also improve safety and security

We have estimated that the cost of completing the already existing rotunda space with ADA access should be around $150,000. Another alternative could be to build an entirely new second story addition to the terminal on top of the existing airport management office. Such addition would also need an elevator or lift to comply with ADA. It is not possible to quantify the amount of incremental landing fees that will be collected as a result of more aircraft being visually identified. However this relocation cost could also be further offset, to some extent, by leasing all or part of the highly visible present airport management office space to a new or existing tenant. Finally there would be significant improvements in control and safety.

8. UPGRADE FUEL FARM & FUEL OPERATIONS

RECOMMENDATIONS

1. Engage an environmental contractor now to test for major leaks with underground probe
2. Thoroughly inspect present fuel farm below ground this spring, before the heavy traffic season, at a cost of approximately $20-30,000 assuming only minor repairs are needed
3. Install credit card operated pumps (Gasboys) to automate data collection and expedite FBO billing and payment, provided they are compatible with replacement tanks.
4. Authorize airport engineer to design desired configuration for replacement fuel farm
5. Coordinate approvals with FAA and Town planning and other departments
6. Authorize expenditure to replace underground 30 year old tanks with new larger capacity and environmentally safer tanks.

DISCUSSION

The fuel farm was built in 1990, reportedly with the underground tanks purposely undersized for our summer volume on apparently the mistaken theory that smaller tanks would mean fewer aircraft. Instead it has resulted in inefficient operations and probably higher costs overall, with no effect on the number of aircraft operations.

The tanks are double walled fiberglass and may still have some further useful lives, although they have not been thoroughly inspected. Airport operators, experienced with other fuel farms, indicated that often fiberglass tanks are weakened at the spot where the long fuel measurement stick repeatedly hits the bottom. Even if the tanks are still found useable it is believed that the couplings and fitting underground may need replacing.

It should be remembered that the underground fuel farm tanks are located on the Town's sole source drinking water aquifer.

Members of the subcommittee inspected the fuel farm with a staff member of Sound familiar with its operations, a third party experienced in airport management and fuel operations and read inspection reports from, and discussed its condition with the present fuel supplier as well as with managers of other airports with particular expertise in fuel farms. Although none of these individuals were affiliated with businesses that would be bidders to repair or rebuild the fuel farm, each confirmed the poor state of the facility: the main hose badly frayed for a protracted period (subsequently promptly replaced), filters not changed as frequently recommended, paint colors not "airport standard" so that first responders might mistake the contents of pipes in an emergency, fuel samples discarded into large drums with no housing (a work order for this had been entered after a prior inspection by the County Health Department), no spill mats under the barrels to protect against any spilled fuel penetrating the soil, etc.

The tanks have been periodically pressure tested. However we have no indication that there has ever been a thorough inspection, which would include draining the tanks, a qualified inspector going inside the tanks to inspect them and breaking the concrete pad to gain access to the underground couplings and fittings which, with minor repairs may cost about $20-30,000. If the intention is to replace the present tanks in the near future this cost may be saved and invested in the new fuel farm.

In any event an environmental firm should be engaged now to come to the property and, using a special probe, without breaking any concrete, test the area around the tanks for any significant fuel contamination.

Before any final decisions are made on replacing the fuel farm the airport engineers should be consulted. However, the Subcommittee's preliminary findings suggest that

1. **The jet fuel tank size should be increased to about 25,000 gallons from the present 12,000 although the 100 LL tank can be only about 10,000 gallons.**

Jet Fuel is in high demand (presently about 95% of all fuel sold at HTO) and sometimes in the summer one delivery a day from the supplier does not suffice. Having a larger capacity tank for Jet fuel could allow better management of the fuel operations and possibly some small savings in fuel costs. The smaller tank for 100LL would still be able to accept a full delivery truckload before it became totally empty (for various technical reasons a fuel farm tank should not, in any event, be run down below 1500 gallons).

2. **Putting the new tanks in an underground coffer would be ideal if not cost prohibitive**.

We spoke with the Suffolk County official in charge of fuel issues who was familiar with our fuel farm and its environment. He explained that while the farm is on Ground Management Area #5, the soil is good and stable (not swampy) and the water table is 20 feet below ground level. As such he felt that the Town could continue to have tanks underground.

All other experts we consulted and the subcommittee members disagree and strongly recommend above ground tanks or tanks in below ground level concrete coffers affording access for inspection.

A concrete coffer system is a combination of above and below ground storage in which the tanks are not buried in earth but sit in a sub-level concrete coffer with a steel roof and door to allow limited entry to qualified personnel for inspection.

With that, fuel cannot enter the groundwater even with a breach. This would also facilitate maintenance without the problems posed by below ground level storage as the coffer can be large enough to accommodate the tanks with room for maintenance personnel to move around. There may be practical constraints or excessive costs that should be considered with the airport's engineers

3. Automating inventory control and billing

Billing is done by the airport personnel from paper records and billing discrepancies are frequent as reported by both FBO's. A system exists where each FBO has a type of credit card that gives them access to the fuel farm and records exactly the gallons removed. A similar system is already being installed in the Town and Village's new joint highway fueling facility

The data can be transmitted electronically to the airport office and the relevant FBO. The price of fuel inventory can be updated on each delivery through Quickbooks and the billing done electronically based on the data received from the automated pumps.

This will also speed up the Town's receipt of funds, since the FBO's are billed and pay monthly, while the Town pays for fuel delivery on a faster turn-around cycle.

Before rebuilding the fuel farm it may be possible to purchase and install the new automatic card reader if the engineers verify that whatever is purchased now can be used in the new fuel farm.

The subcommittee is reviewing alternative management models for buying and inventorying fuel at the airport and hopes to have additional recommendations in a subsequent report.

9. ENTERPRISE FUND ACCOUNTING (EFA) OR EQUIVALENT

RECOMMENDATIONS

Adopt Enterprise Fund Accounting (EFA) or Alternative Financial Reporting

- Make airport financial reporting more understandable to the Board and the public and more amenable to analysis by financial professionals
- Distinguish between operating, capital and other costs & revenues
- Provide quarterly financial summary reports
- Provide income and cash flow statements, balance sheet and depreciation schedule

RATIONALE`

Currently, airport financial reports are disseminated in the same municipal fund accounting format as the rest of the Town financials. While this is proper and in accordance with accounting and legal requirements, it is hard for the average reader more familiar with the format of corporate financial reporting.

We recommend reformatting the airport results to make them easier to understand for average resident and to facilitate debt capacity analysis and other work by financial professionals. The Town's financial officers have suggested Enterprise Fund Accounting as one way to address some of the shortcomings of the current reporting system. But they are also considering other ways to effect this conversion by customizing reports from the existing Munis system We are working with the Finance Department to achieve this in the easiest way. The new presentation (2 summary pages) would allow us to understand more easily

- Summary quarterly financial reports that distinguish between operating, capital and other costs & revenues,
- Income statements and cash flow statements
- Balance sheets and depreciation schedules

The objective is to make it easier for members of advisory committees and board members as well as the general public not immersed in the details of airport operations and Munis reporting to understand and make recommendations to improve airport financial performance and to monitor results. Specific focus areas would be:

- Eliminate the distortions of reporting fuel purchases and sales
    a. Show only Fuel Flowage Fees as income.
    b. Treat as inventory
- Accruals and adjustments to better reflect annual results.
- Eliminate a lot of manual labor by users individually trying to convert Munis reports to a more usual format.
- Facilitate comparison with financial projections.
- Compare YTD results with YTD budget.
- Focus on revenue generation and controllable expenditures.
    a. By Town Board
    b. By the Airport Management
- Make it easier for Airport Management to understand & report results.

Certain areas will need special attention

Fuel Sales & Purchases

Currently, fuel sales and purchases distort the cash flow statements and can yield false positives or negatives depending upon the timing of sales and purchases. The true revenue, fuel flowage fees, is not captured by the Munis reporting system used by the town but generated later from reports of gallons sold. Monthly sales tax reports are similarly generated manually. This would be an issue regardless of the accounting system and software used. The installation of automated pumps or fixtures and the use of companion software could solve this problem.

Depreciation

Munis does not generate depreciation nor is it allowed to be included in the budget to balance revenues and expenditures, although other methods, e.g., contingency, can be employed. It is also possible to create a capital reserve fund, although unlike the A and B Funds there is no restriction on the amount of fund balances. The Finance Department is confident that depreciation can be computed and included from other sources.

Accrual Accounting

Accruals are needed for better comprehension by the average user. As a result, the current system may continue to provide somewhat misleading results for a given reporting period.

Format & Content

Alternative formats and content need to be developed and reviewed by the Subcommittee, Airport Management and the Finance Department

Automation

Creating such reports could be incredibly time consuming if done manually and human error will be inevitable. Consequently, once a reporting format has been agreed upon and successfully generated manually, the process should be programmed using Crystal Reports or another programming capability capable of summarizing in a custom format.