

Open Work Session

Discussion on the Salisbury-Ocean City: Wicomico Regional Airport

March 5, 2019

Mrs. Dawn Veatch, Airport Manager, came before Council. Mr. Cannon said, with the multitude of projects the Airport has that are moving very quickly, Council thought a Work Session would be in order, and they want Mrs. Veatch's input as far as the status of the Airport, how she thinks her funding is to date, and any additional funding she thinks might be needed either through capital or general funds. He said the purpose tonight is to try to get an idea because so many things are changing so fast when they are working with the Federal Government, and with the State, and they have a lot of balls in the air.

Mrs. Veatch said she does not know whether Council has seen her proposed budget yet because she is not sure when that gets shared with them, but they have certainly looked at her Capital Improvement Plan (CIP) that was put in last year. She said, to go back to what was referenced earlier in the meeting about looking back five years, if they look at the year prior to her arrival, the operating budget was about \$146,000. She reported, the following year she increased it by \$100,000, the year after that she increased it by \$150,000, and this current fiscal year it was increased by \$467,000, which is just the operating budget. She said a lot of this is paying for the past years of not maintaining or investing in the infrastructure they already have. She explained, the CIP shows items she is looking to build that will not only generate more revenues, but help bring more business to the Airport that, in turn, will build more revenues. She said, in looking at bringing another carrier here, the terminal had to have some repairs and uplift, which they have done. She said they used PFC money for the passenger lounge, and they have a restaurant there now. She said those types of things are critical for when they are trying to attract another carrier because they look at that. She said one of the biggest complaints they have had since American bought out Piedmont Airlines was the age of the terminal, the facilities, the restrooms, the fact that it was bland, and that there was no restaurant. She said, with the increased funding in the operating budget, that is what she has been able to do so far. She said the restroom project is in this current year's budget, so the restrooms will get revamped in this fiscal year. She said they are sorely missing revenue opportunities. She explained, Easton, for example, has 220 aircraft based there, and Wicomico County only has 100. She said Wicomico County is a much larger, and much more progressive community than Easton, but does not have the infrastructure because they do not have a full service fixed base operator (FBO), which is one of the items on the CIP. She clarified, that was not being funded by the County, but being funded under a public-private partnership, and that is still on track.

Mrs. Veatch said the drone facility that was approved in this year's current CIP was underestimated because they did not pay to have design funding and an estimate done in the previous year, but had a rough estimate given to them. She said, in the middle of that, they found out the entire industrial park appears to be a wetland, whereas, when it was planned, and the roads and infrastructure were put in back in the 1980s, it was not a wetland, but the guidelines changed. She said they are meeting with the Maryland Department of Environment (MDE) to go ahead and move forward to see about what they can do about the rest of the infrastructure. She said, in the meantime, they are still building that. She said they are going to build it on some elevated land that does not have any trees on it, which would have been another taxiway, but it is worth capturing the moment right now to get this drone facility built because of the additional work for businesses that are tied to that partnership with that company. She said that is on the next County Council's agenda to go over that concession agreement.

Mrs. Veatch said there are also the other infrastructure improvements she asked for. She said this year Council gave them money to paint the hangars and repave the asphalt that was crumbling and damaging aircraft, and they are in the process of completing that. She reported, they started last fall, but had to fire the contractor because of substandard work and performance. She said they have the third lowest bidder now coming in to do the project, who starts Monday with pressure washing and painting, and will finish the T-hangars and corporate hangars on that side of the Airport. She said the motif will, hopefully, go away, and they will be in a better situation to maintain the integrity of those hangars so they do not continue to duress to the point of the Bayland hangar, which is difficult to paint because of the years of neglect. She said they are trying to protect their infrastructure as well as make it more appealing to rent, and they have a waitlist since they do not have empty hangars as they do not have enough hangars. She said she has 49 T-hangars, and four corporate hangars, period. She said that is all they have, and it is not enough to sustain the type of businesses they want here. She said she met with the United States Department of Agriculture (USDA) a few weeks ago, and they do community facility grants, and can possibly build some hangars. She said they have built many hangars at Easton with either grant money or very low interest loans. She explained, those are the things she is trying to find so she can get the infrastructure built, and get the aircraft based here. She said, once they are based here, they get their service done here, they get fuel, and they do the things that expand the economy. She said their airplanes are all sitting in Easton, and she knows Council has heard her say that many times, but the fact is, the contract that was awarded, signed, and approved to build a public-private partnership of eight hangars are not being built here, but they are being built in Easton because Wicomico County does not have a maintenance facility. She clarified, they cannot get anybody to pre-sign a lease because there is no place to get their aircraft maintained. She said they are at a dead end if they do not get maintenance here, and this Airport is huge in economic development for all of Delmarva.

Mrs. Veatch said the senators of Delaware and Virginia are partnering with her, and she is working with their staffers at this time to talk about the fact that this Airport is a community Airport for the Tristate area, and they need Tristate support. She clarified, the support should not just be here. She said she is reaching out to them because Delaware wants to build their Silicon Valley in the worst way, and Senator Carper is leading that, and sees huge potential with the Salisbury Airport to be able to help facilitate that growth not only just because of the Airport and aviation, but because of the drone facility. She said the drones are already here, they already know how to fly, and they already know how to do things. She said they need to extend the battery on the smaller drones, but the more important component of their drone facility is all the technology that will go on a drone, and what that drone will do. She clarified, it is not about making a new airplane because everybody knows how to make a new airplane, and they have been able to make airplanes that fly by themselves for 30 years successfully in the military. She clarified, the point is that Senator Carper sees the application these flying aircraft will have in the future, and the technology they want to build on, and he sees that as being a big component that will feed his goals and objectives. She said the University of Maryland Eastern Shore (UMES) sees it, and they wrote a letter to support the tax Bill that is before the Maryland Legislature now that was just passed in the Senate, but they are still waiting again for the House to review it. She said the House has voted against it four years in a row, if they even voted on it, but she is hopeful for this year. She said they asked intelligent questions this year instead of just doing a roll of silence and letting her tell them about it. She said she gave them fiscal data, which they had never had before, and they were very pleased to have that. She said they are hoping tax relief will come so their maintenance facilities will come back to Maryland because they have all left. She said, if Council wants to go to Hagerstown and talk to the gentleman there to see what it has done for his business, it is incredible. She said it is nothing for an airplane to fly from Hagerstown to Pennsylvania, so they could have something going out of here to other neighboring States, and she does not mean just Delaware because they have always had no sales tax, but she is

talking about Virginia, where they passed it two years ago. She said they do not have neighbors who support them continuing to tax, and they have to get rid of that so the aviation industry returns.

Mr. Dodd asked if this is the first time Council is hearing that they do not have facilities maintenance, to which Mrs. Veatch responded, they have not had a maintenance facility since she has been with the County. Mr. Dodd asked if she has told Council this before because he does not recall, to which Mrs. Veatch responded, yes. She explained, that is why they want to build a new facility that has a hangar for jets and general aviation aircraft maintenance. She said the only maintenance on the airfield right now is for Piedmont Airlines, and they only service their aircraft, and not the public, general aviation, or corporate jets. She said the Airport has a mechanic who works out of the back of his truck, which is particularly not legal with the Federal Aviation Administration (FAA) unless it is sanctioned by the Airport Manager, and normally Airport Managers do not sanction that, but she has because their tenants need to get their airplanes fixed when they break here. She said they cannot always go to another airport to get it fixed when they break here. Mr. Dodd asked if Mrs. Veatch said it is not legal, to which Mrs. Veatch responded, she said it is not legal if it is not sanctioned by the Airport Manager, but she has sanctioned it. Mr. Dodd said she said something about the FAA, to which Mrs. Veatch responded, the FAA does not allow maintenance that travels out of a truck unless it is approved by the Airport, and the reason for that is they want to ensure they have a business license, and they have insurance, so she has done that so that they have at least some maintenance at the airfield.

Mr. Holloway said Mrs. Veatch has increased her operating budget four times. He then asked what the increase in revenues is, to which Mrs. Veatch responded, it is minimal right now because they had to take on aircraft rescue and firefighting (ARFF). She said, as Council may recall, Piedmont Airlines use to provide the staffing for that. Mr. Holloway asked, there has not really been an increase in revenues due to that, to which Mrs. Veatch responded, they had more increases this year, and more are coming next year, but she does not have much else other than her rental car concessions, which have not been renegotiated in 15 years, but are getting renegotiated this month. Mr. Holloway then asked about the parking, to which Mrs. Veatch responded, she just got a note back from them, and it has gone up \$10,000 this month based on the fact they increased the rates. Mr. Holloway said he sees the need for maintenance. He then asked if Mrs. Veatch thinks the number of jets in Easton is due to the income level of the people in that County, and the closeness to Washington and Baltimore, to which Mrs. Veatch responded, no sir. She explained, she does not have a hangar she can put a jet in, to which Mr. Holloway responded, he understands that. Mrs. Veatch said Perdue built their own because they did not have any for them. Mr. McCain said that goes with the concept of "If you build it, they will come," to which Mrs. Veatch responded, this Airport should have the capacity to house at least 15 jets. She said, if they were to pull the data of where those aircraft should be located, they are not located here because they do not have maintenance or a hangar, and they are not going to put a jet out on the ramp. She said corporate jets that transit do not stay, they go to Manassas. She said Mountaire parks their airplanes at Manassas four to five times a month, and they come back here and pick up their passengers.

Mr. Kilmer said he has a question for Mr. Wayne Strausburg, Director of Administration. Mr. Strausburg then came before Council. Mr. Kilmer said Council approved a \$250,000 transfer from the general fund in this year's budget. He then asked if Mr. Strausburg has an estimate as to whether they might need to fund operating expenses, and how the status of that is coming, to which Mr. Strausburg responded, that really leads to an overarching discussion. He said virtually all municipal airports in the United States that are owned by Counties or municipalities are general fund supported. He said Mrs. Hurley was with them when they traveled to St. Mary's County this year for the County Administrators Conference, and St. Mary's County has a municipal airport that has everything they are talking about doing here. He said it is

absolutely an amazing airport. He said he asked the Airport Manager how he was funded, and he gave him a funny look and asked what he meant. Mr. Strausburg said he again asked him who funds his airport, and he said the County. Mr. Strausburg said he asked him if his County funds his airport in total, and he said absolutely, their operating budget is totally funded by the County. He clarified, he is not suggesting that for Wicomico County by any means, but he thinks for them to develop the Airport into the asset they believe it should be and can be, they are going to need some consistent general fund support very much like the Civic Center where, over time, PKS will probably classify the Airport, if they can agree, to what is called a special governmental fund where it generates its own revenue, but not enough revenue to completely operate and maintain the infrastructure. He said he thinks that is where they are headed, and he cannot give Council a solid number right now, but he will be able to give them a number for this coming year as to what he thinks general fund support should be, and he will ask for more general fund support this year. He said, if they do not do that, they will perpetuate the asset they have, and they have neglected the infrastructure there. He said they have not pursued the development of the Airport as an economic engine, which they should be, but they cannot grow out of what they have been doing for the past several decades without general fund support. He said it is just not possible, and they cannot do it, so there has to be a gap period where they grow out of where they are, and then try to mitigate the level of general fund support. He said one of the things he had suggested is perhaps they should take a trip to St. Mary's so they can visualize exactly what Mrs. Veatch is talking about because he has been involved with the Airport extensively, but, until he got to that airport and saw the asset and the operation, he did not fully recognize or realize what their Airport could be, and it was really quite eye-opening. He concluded, that is a long way of saying, yes, he will be asking for more general fund support this year. Mrs. Veatch added, Easton pays 100 percent of their operating costs, salaries, insurance, maintenance on the runways, and all the things they have to take care of with hangar rent. Mr. Holloway asked if Easton gets FAA money for runways and such, to which Mrs. Veatch responded, they do, but so does Wicomico County. She said they have to pay their percentage, but they fund all of that out of hangar rent. She said she looked at Easton's County budget this week, and she could not find anything in there for the Airport, to which Mr. Kilmer responded, he likes that model better than Mr. Strausburg's model. Mrs. Veatch said, if she is given the hangars, she can make some money.

Mr. Strausburg said, to Mrs. Veatch's point about corporate jets, these corporate jets are \$35 to \$50-million-dollar platforms, so they are not going to park that thing on the airfield, they are not going to park it in a hangar that is not state of the art, and they are not going to have some guy working out of the back of his pickup truck work on it. He said there is certainly a lot of corporate air travel up and down the east coast, and they are not pulling their share out of the skies, so, if they want to capture corporate air travel, they are going to have to have that kind of an asset, or, if they want, they can bypass it. Mr. Dodd said he thinks the maintenance program is something she should have been drilling into Council, to which Mrs. Veatch responded, she has been. Mr. Dodd said it never stuck with him, and he thinks the Airport is important, so, if she had been telling Council about that, he probably would have said yes. Mr. McCain said he has been hearing this for years because Mrs. Veatch speaks regularly throughout the community. He said she has spoken to the Chamber about it, the Greater Salisbury Committee about it, and she has been preaching this for a long time.

Mr. Kilmer said he has resigned himself to the fact there is going to be general fund support for the Airport, and he is not happy about it. He said, for him, even with the Civic Center and the Nursing Home, it is kind of a necessary evil, for lack of a better term, and he would like to figure out a way for them to do this now, but talk about what their plan is to transition these enterprise funds away from general fund revenue to be self-sufficient. He said, if they are going to do this, it would be nice to see a five or ten-year plan of what they are going to need, and what their plan is to do that. He said he would love to

see the Civic Center self-sufficient because, to him, that is not a model of what they should be doing, but a model of struggling to get that right. Mr. Strausburg said he does not disagree with that. He said, from his standpoint, Mr. Kilmer mentioned the Nursing Home, but, if they are going to own assets and operate assets like that, they should be very well taken care of, and should be the kind of asset the County can be proud of, and the kind of asset people will be very, very interested in utilizing, and the Airport is lagging there, and needs to catch up. Mr. Kilmer said he understands, but every dollar they spend on the Nursing Home, the Airport, or the Civic Center is one less dollar to schools and the Sheriff's Office, but he knows Mr. Strausburg understands that. He said he thinks they are the first Council to put general fund revenue into the Airport, to which Mr. Strausburg responded, they are, and they appreciate that. Mr. Kilmer said it would be nice to know if there is an end date on that.


Mr. Cannon said, in all honesty, he thinks they are trying to pull themselves out of a hole. He clarified, they are trying to pull themselves out of a situation where they have had ten to fifteen years of total neglect of maintenance, and they are trying to take that ten to fifteen years of neglect and rebuild it in two to three years, and it is important, to which Mr. Strausburg responded, it is a transition period. Mr. Cannon said he understands Mr. Kilmer's angst about the general fund, and that it is supposed to stand alone as an enterprise account, but he can see where they need to make some exceptions to that. He said the question would be whether they stay as an enterprise account, or a special governmental account, but he has no idea what the difference is, to which Mr. Strausburg responded, PKS makes that call. Mr. Cannon asked how that might impact grants because he knows that was a concern, to which Mrs. Veatch responded, it will not impact FAA or MAA grants at all. Mr. Strausburg explained, typically, if an enterprise operates for five continuous fiscal years without being able to self-sustain itself and requires general fund support, it is then reclassified as what is called a special governmental account, so that is the first step. He said anytime they have an entity that is generating its own income but also getting general fund revenue, that is a special governmental account. He said a true enterprise generates all of its own revenue, and is totally self-supporting. He said he talked with Ms. Ashley Stern with PKS about this, and they will not reclassify the Airport from an enterprise to a special governmental fund until they have operated for five continuous fiscal years demonstrating it cannot sustain itself. He said it really does not have any real impact on the County's financials other than the money they are taking from the general fund and appropriating over to the Airport. He said, from an accounting standpoint, it does not impact them with grants or anything else as it is just an accounting designation. Mr. Cannon said part of what has been a concern is they have a pay-go of about \$2 million this year and \$4 million next year, and sometimes, unfortunately, the commitment of \$2 million this year obligates them to the \$4 million next year, to which Mr. Strausburg responded, absolutely. He said, if they start a project, they do not want to stop after the first year. Mr. Cannon said they all know the majority of this is the runway, to which Mr. Strausburg responded, that is a significant part. Mr. Cannon said he does not think they have any leeway on that because they know how important the hangars are, to which Mr. Strausburg responded, the runway is critical to both Piedmont, and is critical if they really want to move towards having aircraft that can actually fly coast to coast because they have to have that runway length. He said, otherwise, they cannot get up with the fuel they have on board and make it all the way across the Country. Mr. Cannon asked if the \$6.25 million on the public-private partnership for this coming year in 2020 is still a realistic number they want to keep for the T-hangars, or is that something that might be adjusted, to which Mrs. Veatch responded, the public-private partnership for \$6.5 million is the 38,000 square foot hangar, and not the T-hangars. She said it is the one building they have a letter of intent from, and she is meeting with them and an investment partners in a couple of weeks to see if they can solidify the deal. Mr. Strausburg said they will, in all likelihood, be bringing forward to Council that project once it is inked, and they will be bringing forward the drone facility as they are very close to having that inked as well. He said, certainly, before the end of this fiscal year Council will see both of

those. Mr. Dodd said he would like to see some regular updates, to which Mr. Strausburg responded, that is fine. Mr. Cannon asked if the access control system is the one they are dropping, or whether that is the one they are keeping, to which Mrs. Veatch responded, the access control system is all the different gates around the Airport that allow emergency vehicles, tenants, and construction workers in. She explained, that is an antiquated system, and she has talked to MAA about them funding that project for the County this year, but they are broke. She said they told her she could submit two gates a year to get the new system in, but she has twelve gates. Mr. Strausburg added, over time, that becomes a real security issue if they do not upgrade because that is how they secure the airfield. Mrs. Veatch said, right now, TSA and the FAA are not pushing hard on them, but, when they had Allegiant Air, they were required because there were over 50 seats on an aircraft, and they are looking at coming back. Mr. Dodd asked if that was the one day a week flight, to which Mrs. Veatch responded, yes, to Florida. She said, when Allegiant was here, they had a special process. She said she is looking to bring United Airlines in from Dulles, and they are very interested. She said she has met at headquarters, and she has had phone calls with them recently, and she is meeting with them at two conferences that are coming up. She said they are looking at how they can operate shuttles from Dulles back and forth to here, which would be a huge alternative for Philadelphia. She said everybody loves the Charlotte flight, but Philadelphia is what kills everybody. She clarified, it is not the airline's fault, but the congestion, and there is too much traffic for the capacity it can handle, it is on the river, they have bad weather, and it always gets stuck with the extra snow, and then there are air traffic delays because they are right in the middle of the eastern corridor for air traffic control, and they are trying to pop all of those airplanes into the system coming out of New York. She said, even if it is just to Dulles, that airline being an option is a good option, and she thinks they will see the regionals start to recognize that. She said they are only getting 8 percent of the traffic, and Dulles gets 13 percent of the traffic, and, with all the traffic, they should be flying to Dulles. She said 13 percent of the passengers drive there because they can make an international connection. She said they have a lot of international travelers here mainly because of Ocean City with people who have multiple homes. She said they have disposable income, and they fly all over all the time, and that shuttle, she thinks, would be huge. She said the more they get people off the Bay Bridge, the more they will use this Airport if they have options. Mr. Dodd said he still hears a lot of people wanting BWI, but Dulles is the next best thing, to which Mr. Strausburg responded, they are working on that. Mrs. Veatch said the carrier who wants to do BWI for her cannot do it for two years. She explained, there are incentives that BWI gives them if they last for two years, and they just signed another contract with another City, so, as soon as that two years runs out, they want to grab Wicomico County because they can use their downtime airplane to run a shuttle, and it is a perfect business model. She said she is really hoping they will still come then, and that partnership is still very, very close.

Mr. Hastings said Mrs. Veatch has been running at 100 miles an hour since she came in the door, and she has done a fantastic job. He said he was at the Airport last weekend, and every time he goes there, there is just another thing that has been taken care of and done, and it looks fantastic. He then asked if she is sustainable, and has enough money for staffing internally. He said he knows the answer to that question, to which Mrs. Veatch responded, she is doing three people's jobs right now. Mr. Hastings said, when he sees the money that is coming through for the grants, he does not know how she receives the money she gets in the door, but he does not doubt that the return on investment is pretty intense for the work Mrs. Veatch does, to which Mrs. Veatch responded, they get an awful lot of grant money, but it takes a lot of time. She said this year some of them may know she was not able to do the small community air service grant because she did not have bandwidth. She said she does not have a Deputy, and she does not have somebody to run the projects, so today she spent her day looking at three panels that need to be replaced in the Piedmont area, and she spent half the day with the hangar people. Mr. Strausburg said they are putting out an ad, and talking with people who they think they may be able to

attract to be Mrs. Veatch's assistant so they can grow into the job by the time she leaves. He said, to answer Mr. Hastings' question, for them to do what they want to do at the Airport, the current staffing level cannot sustain that, so it is going to have to be beefed up. He said they are trying to figure that piece out, but part of it is trying to find people who have that ability and expertise, and understand how airports operate because Mrs. Veatch, quite frankly, does not have the time to train a person to do that stuff. He said they will have to grow staff over time, but they are being very deliberate about that. He said he and Mrs. Veatch have interesting discussions every Thursday about staffing levels. Mrs. Veatch said one of the things that has increased her operating budget is that they have to contract out the work because they do not have the staff. She explained, contracting out the work looks like a lot in her operating budget, but it does not have the compensation and benefits that go on the backend of a full-time employee. She said she has three full-time maintenance employees, and three other administrative employees, and that is it. Mr. Strausburg said, when they are contracting out work, that is project based, so they can start it up and stop it, and start it up and stop it as opposed to bringing on an employee who then becomes merited, and who may be vested in benefits over time. He said, with where the Airport is, he thinks outsourcing that kind of assistance is appropriate, saves them money, and they get people who know Airports and know their stuff, and they get a better quality project as a result at a lower cost.

Mr. Cannon again thanked them for taking the time out of their busy schedules for being at the meeting, to which Mrs. Veatch responded, she is happy to be before Council any time. There was no further discussion.


John T. Cannon, President


Larry W. Dodd, Vice President, District 3



Ernest F. Davis, District 1


Marc Kilmer, District 2


Josh Hastings, District 4


Joe Holloway, District 5


William R. McCain, At-Large


Laura Hurley, Council Administrator