

Open Work Session

Proposed Amendment to Reallocate \$947,066 in the Fiscal Years 2019-2023 CIP from various SBY Regional Airport projects to the UAS Hangar Project May 7, 2019

Mrs. Dawn Veatch, Airport Manager, and Mr. Calvin Peacock, Chairman of the Airport Commission came before Council. Mrs. Veatch reported, they had two projects in their Capital Improvement Plan (CIP) for 2019, the ARFF building, and the UAS hangar, and both of those were funded at \$900,000 for the ARFF building, and \$750,000 for the UAS hangar. She said both of those came in severely under budgeted.

Mrs. Veatch said, currently, they have spent \$238,000 on getting the ARFF building designed, doing the subsoil structure surveys, and core sampling for contaminants. She said she has been told that the quote she got the year before of what it would cost to build this structure is about half, so they decided to push it out because the water is not here yet. She said she thinks the water bid just went out, but she is sorry she has not had time to follow up on that because of FAA inspections, and her Airport Master Plan, but she thinks it went out for bid, so it will be about a year before water will hit where they can use it for their fire station. She said this was put in a year and a half ago, so she put in her ACIP for additional funds from the FAA and the MAA for FY20 to fund the ARFF building. She said she also submitted to the FAA another request for a fully funded ARFF building to include design, which would be reimbursed to the County under the supplementary discretionary \$10 billion dollars that was given out last June. She said they have still not heard back about that, so they are waiting to hear if they will fund that. She said, if they fund it, regardless of whether they build it now, it would reimburse the County, which is what they always try to do with the FAA and the MAA. She said the MAA has not had much money lately, and she is not sure where all that money goes, but she has not gotten much of it in the last couple of years. She said, with that, it left \$661,000 and change out of the ARFF project if they postpone it.

Mrs. Veatch said the second building was sorely underestimated, again by about half, and part of that is due to the fact that, when they went to put the build site in, MDE came out and told them the build site was wetland, so they could not build there, and had to get another site. She said the next site is more expensive to build on because they have to put a road in that is longer than the one from the cul-de-sac where it originally was located to where the new site is. She said, when they rebid it on the new site, they reduced the size of the hangar to try to offset some of that cost, and they also, unfortunately, required a larger piece of asphalt pad, which actually costs more. She said the sewer also costs more because of where they have to tap in. She explained, it was not a short run, but a very long run now to get to the sewer. She said that is where some of the overages came in, but the bulk of it was just a poor estimate that was done in her office. She said, when she was before Council at the last meeting talking about overages, she said she will not ask for money any more without doing design first because she is not getting proper estimates from people who should be able to give her a proper estimate. She said they need to know what it is really going to cost before they come to Council for money.

Mr. Kilmer said, as he understands it, she is asking for the funding to be reallocated, but, in future years, there will be a more expensive ARFF building asked for from Council. He then asked if that cost will come next year, or the year after, to which Mrs. Veatch responded, hopefully either the MAA or FAA will fund it, and then the County pays the proportionate share. She clarified, if the MAA funds it, the County pays 25 percent, and if the FAA funds it, the County pays 5 percent, which can be paid for out of PFCs. She said she could fund the entire ARFF facility under PFCs, but it is just the process they are in right now where they just did PFC 5 that is obligated debt for the next few years. She said, in order to have

another airline, Piedmont cannot be their ARFF, and, quite frankly, now that they have a professional ARFF service and their trucks are being maintained properly, and they have people who know what they are doing with the trucks, they are getting things back in service the way they should be. She said their ARFF should never have been in Piedmont's hangar because they had airplanes parked in front of them sometimes, and the doors are huge and do not open quickly. She said they have ARFF in a temporary hangar right now, and they have two firetrucks, actually, because BWI gave them one this winter when the County's went down and they could not get it fixed within 48 hours. Mr. Dodd asked if it is fixed now, to which Mrs. Veatch responded, yes. She said the one they gave the County initially was a loaner, and they loaned it because it is their backup, and they have extra backups. She said she got that one in a pinch, and then with Mr. Peacock's help they actually had one they were getting ready to auction off, and they were able to divert it to Wicomico County. She said it requires \$30,000 worth of things to be done to it before it can stand alone as an ARFF. She said it is fine as a backup or in an emergency if the County's goes down for a short time, but it cannot do everything right now, but that \$30,000 is in her operating budget that was just put in this spring. She said they were hoping they could get the FAA to fund it, and pushing the MAA to fund it. She said, however, if the County starts the project, the FAA and MAA are not as apt to fund it, and since they do not have the water and they cannot open the firehouse until they have water pressure for the fire extinguishing system, they are kind of at a catch 22. She clarified, if she starts building now, it will be done by next spring, but they are not going to have water for almost 18 months. Mr. Dodd asked if the fire sprinkler system is the only holdup, to which Mrs. Veatch responded, yes, and the extra funding. Mr. Dodd asked if she can use a jockey pump to get that pressure, to which Mrs. Veatch responded, not without putting a subsystem in, from her understanding, and a holding tank that is very expensive. Mr. Dodd asked if they have a water tower there now, to which Mrs. Veatch responded, no. She said the water tower is at Wor-Wic, and the Airport does not have any water. Mr. Dodd said they are large lines coming from that tower, to which Mrs. Veatch responded, when they put them in they will be, but they are not in yet. Mr. Dodd asked if they are in yet, to which Mrs. Veatch responded, they do not have water at the Airport, and they never have. She said they put sewer in years and years ago, but they never put water in, so they are putting the water in now, which is allowing the Airport to get developed. She said they could not build anything more than 10,000 square feet because they did not have water to do the proper systems for fire suppression.

Mr. Cannon asked if the original budget was \$750,000, to which Mrs. Veatch responded, yes, for the drone hangar. Mr. Cannon asked if that means now the total cost with the increase is around \$900,000 on the one project, to which Mrs. Veatch responded, yes. Mr. Cannon asked if the \$1.2 million that the selected company has quoted to build is an estimate, to which Mrs. Veatch responded, no, that is what they have been awarded to build. She clarified, they do not have funding, so they have not started yet.

Mrs. Veatch said there are projects for which she asked the residuals to be pulled together. She said they were awarded money for Stars and ADSB, but, if Council recalls, the FAA said they do not do Stars anymore. She said Easton got theirs, but Wicomico does not, so that is what that money is leftover from. She said there is \$70,000 out of the ADSB money that she was asking to use to go towards this project. She clarified, they did not put the ADSB in because they did not get the Stars, and that is complicated, but she is happy to go into details if Council wants. She said right now they are doing the hangar apron and painting, and, if Council recalls, they redid the taxi lanes and ramps in front of the corporate hangars, and they painted all the hangars. She said it started last fall, and they had to fire the first contractor, but they have their second contractor out there. She said the lowest bidder came in about \$165,000 under because they did not have one piece of pavement done, and they did not paint the ARFF hangar and the hangar adjacent to it. She said they are going to move that across the Airport so her staff has a proper maintenance facility, so they chose not to paint them because it will crack when

they put it on jacks to move it, so they took that out, and that left a little residual there. She said these residuals that are coming out of these programs can be pulled together, along with the value engineering that was done on the contract. She said some of that was done with doing core sampling to see if they had to use some sort of cement based subsoil treatment, as she understands it, in wetlands so their soil is not mucky while they are trying to build, and it also provides a better subbase for when they bring in their crushed rock and gravel. She said, because of the nature of that industrial park, it was in the bid to do that, but then they did the soil samples when they relocated it, and it was no longer required. She said there were some savings in there, but there are also some additional costs. She said they reduced some of the taxi apron area, they pulled other things out to help bring the price down, and she also reduced the size of the hangar on the second bid. She said they did what they could to get it down, but the cost of steel went up since this was guesstimated a year and a half ago.

Mr. Cannon asked, as far as this project, is it correct that there is not a leasing agreement with the company that is going to move in there, to which Mrs. Veatch responded, there is a concession agreement. Mr. Cannon asked if that is \$5,000 a month, to which Mrs. Veatch responded, it is a percent, and she thinks the max is around \$3,200 because they are only taking part of the building, but she has a lease that will be signed once the building is built. Mr. Cannon said he was just trying to evaluate the return. Mrs. Veatch said they also have the second side that is going to be rented by Kilroy, who is in her airline office that does not have windows at the ticket counter right now because that is the only office space she had, and they wanted to be at the Airport because they do a lot of other services for the flying public with maintenance and repairs. Mr. Cannon asked what Mrs. Veatch anticipates the total return in revenue may be on an annual basis, to which Mrs. Veatch responded, Salisbury University wants the whole second floor. She said they just came to her, and they are coming back with a written proposal, and then they want to build a second building because they want to move their robotics and their agricultural drone into the other building, so she has not added it all up yet because, until she gets the building, she does not even know what it is going to cost yet. She said she does not even know if they are building it at this point because she will not have the funding. She said the concession is a percent of gross profit, and, if Council remembers, this is going to create 53 jobs by putting this facility in. She said next door to that a manufacturing plant is supposed to go in. She then passed out a map to Council.

Mr. Cannon said it is not so much the reallocation because reallocation is what it is, but the reason he asked his question is because, outside of reallocation, they are really seeing additional spending they are going to be incurring over the next few years because they are stretching the expense of the project out over more years. He said, they may be reallocating from ARFF, but it is still going to be an expense they are going to have to worry about in the future, to which Mrs. Veatch responded, she understands.

Mrs. Veatch said, if Council looks at the center of the map she handed out, it says UAS. She said the original hangar was going to be on top of the white box that says UAS by the cul-de-sac, but the box just above the white block is where the drone facility was supposed to be built. She said that is where the sewer is, and that is where the water will be coming, and things like that. She said they determined that was wetland, but they have done extensive studies there, and they have determined it is delineated wetland, but that it did not get un-delineated. Mr. Dodd asked if it is non-tidal wetland, to which Mrs. Veatch responded, the hash marks on the map are where they can build, and the other ones are where they cannot build without doing mitigation, so they are in the process of that mitigation. She said, when they relocated it, that was in addition. Mr. Holloway asked if Mrs. Veatch really knows where it is going to be built yet because she said they were in the process of relocating, to which Mrs. Veatch responded, no sir. She clarified, she has a 25-foot MDE barrier permit to build. She said they put it in the middle of a taxiway that was never built. She said she brought some more visuals, and then handed them out. Mr.

McCain asked if they will need that taxiway in the future, to which Mrs. Veatch responded, they would have used it, but it is just a piece of it, and they took it out. Mr. Dodd asked if they are going to relocate the taxiway, or do they just not need it, to which Mrs. Veatch responded, it cuts it off. She referred to a map showing where trees were cleared, and said they put in subsoil many years ago in the late 1980s and determined that none of that is wetland, so she can build there. She said she took the back corner of that little piece of land and put their drone hangar there. She said the manufacturing plant will go on the other side because it is delineated as not being wetland. She said that has already been FAA approved, this has already been MDE approved, the contract has been awarded waiting funding, and then they are working on getting their County construction permits.

Mr. Holloway said, on the budget it says cost to bring sewer and water well \$83,640. He then asked what it means when it says water well, to which Mrs. Veatch responded, the water is not there yet, and will not be for 18 months, so they have to put a well in. She said their water is not potable at the Airport. Mr. Holloway asked if she is going to dig a well to operate this facility off of until the water goes in, to which Mrs. Veatch responded, yes, just like they do for everything at the Airport. Mr. Holloway asked, when the water gets there, will it tap in, to which Mrs. Veatch responded, yes, and it will be metered. Mr. Holloway asked how much of the \$83,000 is the well, to which Mrs. Veatch responded, she did not bring those breakdowns. Mr. McCain said he would assume it is less than \$10,000, to which Mrs. Veatch responded, the well was not much. Mr. McCain said it is usually about \$7,500 for a well. Mr. Holloway said it depends on how big of a well they need, to which Mrs. Veatch responded, the only thing they need a well for is to flush two sets of toilets. Mr. Holloway asked if they need fire suppression, to which Mrs. Veatch responded, no. She said the hangar was purposely built smaller so fire suppression was not required. She said there is a hand sink if someone gets contaminated with some sort of solvent or chemical, and toilets, and that is all the water they need. Mr. Holloway said they are paying \$70,000 to bring the sewer in, and they can take \$13,000 off for the well because that would probably be the maximum, and he knows how it works in other places. He then asked, if they build a manufacturing plant there and they connect to the sewer, will they be paying part of that, to which Mrs. Veatch responded, when the manufacturing plant goes in, the water will be there. Mr. Holloway clarified, he is talking about the sewer. He then asked if they will pay for part of that sewer hookup, to which Mrs. Veatch responded, they will pay for all of it because it is going to be a land lease, and the County is not going to build that. Mr. Holloway again, clarified, that is not what he is asking. He then asked if the manufacturing plant will pay for part of the \$70,000, to which Mrs. Veatch responded, no because the sewer is in a different spot. She said the manufacturing plant is on the other side. Mr. Holloway asked if they will pay for their sewer, to which Mrs. Veatch responded, they will pay for sewer. She explained, they will do a land lease, and that is it, and they will do everything else. She said there will not be any expense to the County because it is all on them to build with a land lease. Mr. Dodd said Mrs. Veatch mentioned Salisbury University a few moments ago. He then asked if the County will be building the building for them, to which Mrs. Veatch responded, no, they will be building the building. She said they want to rent the second floor, and she has a schematic of the floorplans.

Mr. Cannon said he thinks it is unfortunate that they have run into such an overage, but Mrs. Veatch has explained it, and he thinks what is important is that she is making whatever effort she can to reallocate funds to make this project happen, and, in his impression, he thinks that is what they need to do. He said he thinks this is going to be a big revenue builder, and, as Mrs. Veatch said, it will create jobs, which is important. He said he thinks, all losses aside, there is not much they can do to recapture that, but he thinks this is the best effort Mrs. Veatch is making to try to keep this project going forward, and he thinks they should support her on that. Mr. McCain then asked if they need a motion to move it forward, to which Mr. Cannon responded, this is just a Work Session.

Mrs. Veatch said she just wants to refresh Council's memory from the last time she briefed them on the drones, and this was also briefed at the Salisbury Economic Forecast. She said the jobs will be created there because the manufacturing plant will not come if there is not a drone facility to test. She said she does not have a letter of intent yet from the manufacturing company, but she has met with them twice, and they are very interested as they are outgrowing their current building. She said that would be \$6.7 million in revenue for businesses, \$3.9 million in personal revenue, and \$5.5 million in State and local taxes, and that is just with her building, and not the calculation on what the manufacturing will do because she has not run numbers on what the manufacturing will do. She said that is just an example, and those numbers were created by Martin and Associates. She said MDOT does an economic forecast every year for all the airports, and that is the consulting firm they use, and while they were updating the State's aviation economic forecast, she gave them these three companies, the FEMA cargo facility, the new fixed base operator (FBO), and this one. Mr. Dodd asked if it would be 53 permanent jobs, to which Mrs. Veatch responded, yes, it would be 53 permanents, high-paying tech jobs. Mr. Dodd asked if that includes the construction jobs for building the facility, to which Mrs. Veatch responded, it is direct and indirect jobs that are created, and there is also a shopping number in there of what people spend that increases it. Mr. Holloway asked if Mrs. Veatch will be able to get a letter of intent by the time they redirect these funds, to which Mrs. Veatch responded, no sir.

Mr. Cannon asked Mrs. Hurley where this process goes from here, to which Mrs. Hurley responded, this is in the CIP for 2019-2023, so it requires a Public Hearing to amend that plan. Mr. Cannon asked if they would be amending the CIP that is almost done, to which Mrs. Hurley responded, that is correct. She said they can hold that Public Hearing at the next Council Meeting on May 21, 2019 at 10 a.m. Mr. McCain said they should move forward. Mr. Dodd said he thinks they need to have the Public Hearing.

Mr. Holloway said Mrs. Veatch said she could not get a letter of intent. He then asked if that is because her discussions with the manufacturer who is going to build there are not that far along, to which Mrs. Veatch responded, she cannot get a letter of intent that quickly. She said it is proprietary, just like when they met with SRS when they were under nondisclosure, and those things take a little bit more time than what she is hoping for in two to three weeks to get this moved forward. She said the fiscal year in the summer is almost over, so she is trying to get the project moving. Mr. Holloway said he understands the value of the Airport, and he listened to all the folks who came up and talked about it, and how important it is as an economic driver for the County, but his concern is that they are just hearing that they have all of these different people coming, but they do not have any letters of intent, or any signed papers, or signed leases, to which Mrs. Veatch responded, she does for this building. Mr. Holloway asked for which building, to which Mrs. Veatch responded, for the building they are talking about, the drone building. She said she has the concession agreement with SRS, which has been executed, and she has Kilroy. She said she has Kilroy in the office at the Airport now, but they are just waiting until they design the floorplan because they have not designed the interior floorplan yet because she has not gotten the money yet, and that price includes designing the floorplan. Mr. Holloway asked if they are not going to sign it until after she gets the money, to which Mrs. Veatch responded, correct because they do not know how many square feet, so she does not know how much to charge them until she knows how many square feet. She said, once she has that, she will have it signed, and it is all going to be what their standard rate is out there. She said she has an appraisal that gave her what the going rate should be at the Airport, and it will all be in line with that. There was no further discussion.

Signatures on next page

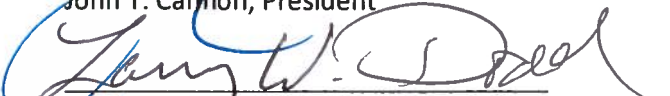
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John T. Cannon, President

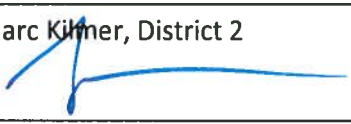


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Ernest F. Davis, District 1

Marc Kilmer, District 2



Josh Hastings, District 4



Joe Holloway, District 5



William R. McCain, At-Large



Laura Hurley, Council Administrator