



COUNTY OF HUMBOLDT

AGENDA ITEM NO.

For the meeting of: August 21, 2018

Date: July 31, 2018

To: Board of Supervisors

From: Amy S. Nilsen, County Administrative Officer *AS & AN*

Subject: Introduction of ordinance related to the creation of the Department of Aviation

RECOMMENDATION(S):

That the Board of Supervisors:

1. Receive a report on the creation of the Department of Aviation and the subsequent steps involved and provide further direction to staff; and
2. Introduce the attached ordinance by title, relating to the Department of Aviation and waive the first reading; and
3. Set the ordinance for adoption on August 28, 2018, or at least one (1) week away from the date of this hearing; and
4. Delegate the Public Works Director's authority to act as Airport Manager pursuant to Chapter 5 of Division 6 of Humboldt County Code Title II to the Director of Aviation until the ordinance to create the Department of Aviation becomes operative; and
5. Direct the Clerk of the Board to publish the pre-adoption summary of the ordinance, and to post a

Prepared by Sean Quincey CAO Approval *[Signature]*

REVIEW: Auditor _____ County Counsel *[Signature]* Human Resources *[Signature]* Other *[Signature]*

TYPE OF ITEM:

Consent

Departmental

Public Hearing

Other _____

BOARD OF SUPERVISORS, COUNTY OF HUMBOLDT

Upon motion of Supervisor _____ Seconded by Supervisor _____

Ayes _____

Nays _____

Abstain _____

Absent _____

PREVIOUS ACTION/REFERRAL:

Board Order No. I-1

Meeting of: Dec. 19, 2017

and carried by those members present, the Board hereby approves the recommended action contained in this Board report.

Dated: _____

By: _____

Kathy Hayes, Clerk of the Board

certified copy of the full text of the proposed ordinance in the office of the Clerk of the Board, both publication and posting to be done at least five days prior to the Board meeting at which the ordinance will be adopted. [Government Code Section 25124 (b)(1)]; and

6. Direct the Clerk of the Board, within 15 days after adoption of the ordinance, to publish a post-adoption summary of the ordinance (Attachment 4) with the names of the Supervisors voting for and against the modification to the ordinance, and to post in the office of the Clerk of the Board a certified copy of the full text of the adopted modified ordinance and amendments along with the names of those Supervisors voting for and against the modification to the ordinance [Government Code Section 25124 (b)(1)].

SOURCE OF FUNDING: Aviation Fund, General Fund

DISCUSSION:

In March 2017 your Board authorized the county to contract with Volaire Aviation, Inc. to study the county's airport system and recommend changes on the system's governance and sustainability. On December 19, 2017 Volaire presented your Board with its recommendations. One of the recommendations contained within the report (Attachment 6) included removing the Aviation Division from the Department of Public Works and creating a new Department of Aviation, run by its own director. Your Board at that meeting directed staff to create the new department.

Funding shortfall

In November 2016, county staff noted to your Board that a long-term plan for financial sustainability needed to be developed in order to eliminate the Aviation Division's structural deficit. Operating costs exceeded revenues for the prior 8 fiscal years, and Aviation had been borrowing from other funds to cover the gap in funding. The continued negative balance raised concern because the Aviation Enterprise Fund, which operates the Aviation Division, is classified by accounting standards as "business-type activities" and is supposed to stand on its own without the sort of short-term borrowing typical of the county's governmental funds. Without a long-term plan, Aviation's liability has more potential to become the responsibility of the General Fund. These issues prompted your Board to find a consultant (Voltaire) to help Aviation develop its plan to achieve financial stability.

Governance

The Aviation Division was placed under the direction of the Department of Public works on May 6, 1957 (Ordinance 340). The Director of Public Work currently leads this division, along with nine other divisions. For many years, Aviation was led by an Airports Manager and a Program Coordinator. However, the manager position was vacated in 2013 and has not been filled since, largely in an effort to balance the budget. For the past 5 years the Director of Public Works has assumed the Airports Manager role in managing the county's six airports.

Voltaire's study noted several difficulties regarding the structure within the Aviation Division, as well as how the division fits within the larger Public Works Department. Within the division there is no airport manager, which leads to difficulties as there is little on-field decision-making, an unclear chain of command, and lack of strategic business planning focus. Regarding Aviation's fit within the department, the study noted that Aviation is the only division within Public Works that operates as an enterprise fund. At its core, the mission of Aviation is geared towards business and enterprise, while the department as a whole exists to serve the community, which led Voltaire to conclude that the missions of these two agencies are incompatible. Additionally, the report notes that in general, when an airport system is embedded within a department, there are multiple reporting layers between airport management and the Board, there tends to

be a slower decision-making process, and it also invites airport tenants to bypass airport management on critical issues.

New Department of Aviation

Pursuant to your Board's direction, this agenda item essentially removes Aviation from Public Works and establishes it as its own department, run by its own director that reports directly to the Board. Your Board interviewed for the Director of Aviation position in July and appointed Cody Roggatz to the position of Director of Aviation. The responsibilities of the former division would be carried over to the new department, including its responsibility to staff the Aviation Advisory Committee meetings. The director will assume all responsibility of the Superintendent of Airports, as defined in the Humboldt County Code, a role that has been assumed by the Director of Public Works. The staffing will remain the same as the division's FY 2018-19 adopted budget, which includes 12.0 full-time-equivalent positions. However, it should be noted the report recommended that once the new director has a strategic business plan in place and revenue growth can be documented, new revenue growth first go to hiring additional staff.

Delegation of Authority

Pursuant to state law, the ordinance to create the Department of Aviation cannot go in to effect until 31 days after the ordinance is adopted. Therefore, assuming the ordinance is adopted on Aug. 28, the new ordinance would not go in to effect and the Department of Aviation would not be created until Sept. 28. However, the Director of Aviation is scheduled to begin serving on Sept. 24. Therefore, this item recommends that your Board delegate authority to manage the aviation system from the Director of Public Works to the Director of Aviation until the ordinance can go in to effect, at which time, the Director of Aviation's responsibilities will be established in the Humboldt County Code.

FINANCIAL IMPACT:

There is no cost to creating this new county department. However, the Aviation Enterprise Fund began FY 2017-18 with a negative fund balance of (\$327,005), and it is likely that a significant negative balance will remain at the close of the fiscal year. Efficiencies and new business opportunities should be realized by moving Aviation to its own department, and a long-term plan to bring the Aviation Enterprise Fund to a healthier financial position should be created soon after the department is established and the new director has gained experience with the local aviation environment.

The General Fund is contributing to help fund the Director of Aviation position for a period of 3 years. Total General Fund contribution for FY 2018-19 is \$350,000. There is no anticipated change to staffing for the rest of the fiscal year, but staffing levels could change in the future if new revenues are realized.

The item supports your Board's Strategic Framework by supporting business, workforce development, providing community-appropriate levels of service and managing our resources to ensure sustainability of services

OTHER AGENCY INVOLVEMENT: Aviation Advisory Committee; Federal Aviation Administration

ALTERNATIVES TO STAFF RECOMMENDATIONS:

1. Your Board could choose to keep Aviation as a division within Public Works.
2. Your Board could choose to direct staff to return to your Board with an alternative solution regarding the governance of Aviation, such as creating an Airport District.

These alternatives are not recommended. The study commissioned by Voltaire noted that keeping Aviation within Public Works presents too many problems in reporting to the Board, among other issues, and it is likely not feasible to get citizens to vote to create a new Airport District.

ATTACHMENTS:

1. Proposed Ordinance
2. Pre-adoption summary
3. Post-adoption summary
4. Voltaire Study on Governance of Humboldt County Airports