



U.S. Department
of Transportation
**Federal Aviation
Administration**

Western-Pacific Region
Office of Airports
Safety and Standards Branch

777 S. Aviation Blvd., Suite #150
El Segundo, CA 90245

December 13, 2018

Mr. Cody Roggatz
Director, Aviation Department
California Redwood Coast – Humboldt County Airport
3561 Boeing Avenue
McKinleyville, CA 95519

Dear Mr. Roggatz:

Humboldt County Airports
Eureka, California
Land Use Inspection

The Federal Aviation Administration (FAA) conducted a land-use inspection of six airports owned by Humboldt County (County), from August 13-24, 2018. The inspection was conducted by Robert Lee, Compliance Inspector, San Francisco Airports District Office (ADO); Cathryn Cason, Lead Compliance Specialist, FAA Headquarters Office; and George Aiken, Airports Compliance Program Manager. The purpose of the inspection was to ensure that the airports were compliant with the terms of their Federal obligations dealing with airport property, aeronautical leases, non-aeronautical leases, and airport safety.

The inspection consisted of a review of aeronautical and non-aeronautical leases, an airport property tour, and an airport safety inspection. The property tour and safety inspection was conducted at all six, County-Owned airports.

The attached report provides details of our land use inspection, with recommendations and action items. Please note that within 30 days from the date of this letter, we will need a plan and timeline for addressing the following issues:

1. The airport must reconcile disparities between the conveyance documents (All land acquired by the airport, less three land releases approved by FAA), the 5010 and the ALP. A report, documenting all disparities and corrective actions needed must be sent to this office for review.
2. The County must review all leases and other airport property use agreements, and amend the documents as necessary. All leases and property use agreements must include a standard subordination clause, a reference requiring the tenant's compliance with the airport's minimum standards, and an escalation clause. Lease review should also ensure that all applicable leases are in compliance with the FAA *Hangar Use Policy*.

3. The County must inventory all non-aeronautical uses of airport land at all six County-owned airports, and provide the list of non-aeronautical uses to FAA for acknowledgement and approval. Once approved, all non-aeronautical land uses must be identified on the Airport Layout Plan.

All future/proposed non-aeronautical uses of airport land must be submitted to FAA for review and approval, prior to the granting of a land release.

4. The County must inspect all hangars at county-owned airports to ensure that hangars are used for aircraft storage and/or aeronautical uses only.
5. All identified non-aeronautical uses of airport land and/or facilities must be appraised and the lease rates adjusted to Fair Market Value.
6. Humboldt County must immediately submit financial information for the California Redwood Coast – Humboldt County Airport (ACV) to the FAA. This submittal is required by the FAA Authorization Act of 1994, and should be sent via FAA Form 5100-26 and FAA Form 5100-127.
7. The County must resolve Finding 2017-002, of the Fiscal Year 2017 Single Audit and Passenger Facility Report, which states the County lacked a year-end closing process to perform reconciliations of significant accounts and year-end audit adjustments.
8. The County must set and charge rates to make the airport system as self-sustaining as possible. The airport should periodically conduct an appraisal of airport facilities to ensure that rental/lease rates are periodically adjusted to reflect fair market value for non-aeronautical leases, and an appropriate lease/rental rate for aeronautical leases and rentals

Thank you for the assistance provided by your staff, in conducting this inspection. If you have any questions, please contact George Aiken at (424) 405-7306, or via e-mail at george.aiken@faa.gov.

Sincerely,



Brian Q. Armstrong
Manager
Safety and Standards

Cc: Laurie Suttmeier, Assistant Manager, San Francisco ADO, FAA
Thomas Mattson, Director of Public Works, Humboldt County

attachment

Land Use Inspection Report
Humboldt County Airports
August 13-24, 2018

Airports Inspected:

California Redwood Coast-Humboldt County (ACV), inspected August 13, 2013
Murray Field (EKA), inspected August 14, 2018
Garberville (O16), inspected August 15, 2018
Rohnerville (FOT), inspected August 20, 2018
Dinsmore (D63), inspected August 20, 2018
Kneeland (O19), inspected August 21, 2018

A. Prepared by:

Robert Lee
Airports Compliance Specialist, San Francisco Airports District Office (ADO)
George Aiken
Airports Compliance Program Manager

B. Inspection Dates: August 13 – 24, 2018

C. Airport Owner: County of Humboldt, California

D. FAA Representatives:

Robert Lee – Airports Compliance Specialist, San Francisco ADO
George Aiken – Regional Compliance Program Manager, AWP-620.1
Cathryn Cason – FAA Headquarters, Lead Airport Compliance Specialist, ACO-100

E. State Representatives: None

F. Airport Sponsor/Owner-Representatives:

Clarence W. (Bill) McKown, Airport Manager (Interim)
Jared Fisher, Real Property Agent, Public Works
Charlotte Merkel, Deputy Public Works Director
Thomas Mattson, Director, Department of Public Works

G. Purpose of Land Use Inspections:

In response to a General Accounting Office report issued in May 1999, entitled, “*Unauthorized Land Use Highlights Need for Improved Oversight and Enforcement*” and language in Senate Report No. 106-55, also issued in May 1999, the Federal Aviation Administration (FAA) adopted a program to conduct annual land-use inspections at various airports where land was acquired through Federal assistance programs.

Data collected by these inspections is included in an annual, Airport Improvement Program Report to Congress. This report lists airports not in compliance with grant assurances or other requirements with respect to airport lands.

The FAA selected all six airports, owned and operated by Humboldt County, for a Land-Use Inspection in Fiscal Year 2018.

H. Background

The County of Humboldt owns and operates six airports, managed by the Humboldt County, Department of Public Works, Aviation Division. These six airports include California Redwood Coast-Humboldt County Airport (ACV), an air-carrier airport, certificated under 14 CFR Part 139, offering scheduled commercial flights. The remaining five (5) airports; Murray Field, Kneeland Airport, Rohnerville Airport, Dinsmore Airport, and Garberville Airport; are General Aviation (GA) airports. All six airports are uncontrolled, in that they do not have an air traffic control tower providing guidance and instruction to aircraft operating on the airfield, and in the airport traffic area.

A short history of each airport follows:

1. California Redwood Coast-Humboldt County Airport (ACV) encompasses approximately 861 acres of land, and is located approximately two (2) miles north of the city of McKinleyville, California. The airport consists of two intersecting runways. Runway 14-21 is 6,046 feet in length; Runway 1-19 is 4,501 feet in length. Both runways are 150 feet in width and constructed of asphalt concrete. ACV is currently served by two airline operators, which conduct over 5,000 air-carrier operations annually. Eleven (11) aircraft are based at the airport.
2. Murray Field Airport (EKA) is comprised of approximately 131 acres of land, located within the city of Eureka, California. The airport consists of one runway, 3,011 feet in length, and 75 feet in width, constructed of asphalt concrete. One fixed base operator, Northern Air, is located on the field, offering charter services and flight training. Small-package cargo operators such as Federal Express and United Parcel Service have operated at EKA for more than 10 years. Approximately 10,400 GA operations occurred at the airport in 2016. Approximately 27 aircraft are based at this airport.
3. Rohnerville Airport (FOT) is comprised of approximately 541 acres, and is located three (3) miles southeast of the city of Fortuna, California. The airport consists of one runway, 4,005 feet long, 100 feet in width, constructed of asphalt concrete. The California Department of Forestry and Fire Protection (Cal Fire) operates an airbase on the southeast corner of the airport. As of 2016, approximately 27,500 GA

operations occurred at the airport. Eight (8), fixed wing aircraft and one (1) helicopter are based at this airport.

4. Garberville Airport (O16) is located two (2) miles southwest of the town of Garberville, California. The airport is comprised of 44 acres and has one runway. Runway 18-36 is 2,783 feet in length, and 75 feet in width, constructed of asphalt concrete. Approximately 16,500 GA operations occurred at this airport in 2015. Eleven (11) aircraft are based at the airport.
5. Kneeland Airport (O19) is located on a mountain ridge, approximately 2,700 feet above sea level, 10 miles southeast of the city of Eureka. The airport consists of 14 acres of land, and one runway. Runway 15-33 is 2,252 feet in length, and 75 feet wide, constructed of asphalt concrete. This airport serves as an alternate landing site when nearby low-lying airports are unusable due to low ceilings and/or fog. Approximately 7,000 GA operations occurred at Kneeland in 2017. No aircraft are based at the airport.
6. Dinsmore Airport (D63) is located approximately 38 miles (straight-line distance), southeast of Eureka, and encompasses 23 acres of land. The airport consists of one runway, 2,510 feet in length, 48 feet in width, constructed of asphalt concrete. One ultra-light type aircraft is currently based at the airport. Approximately 1,600 total operations occurred at the airport in 2017.

I. Document Review

As part of the land use inspection, the following documents were reviewed for each airport listed above:

1. Airport Improvement Project (AIP) grant history;
2. Airport Layout Plan (ALP);
3. Independent Audit Reports for Fiscal Years (FYs) 2015, 2016, 2017;
4. Financial Budget Reports FYs 2015, 2016, 2017;
5. County of Humboldt Financial Statements Year Ended June 30, 2017;
6. Memorandums of Understanding (MOUs) between the Airport Sponsor and Humboldt County Public Works Department;
7. Fuel Service License Agreement (World Fuel Services);
8. Aeronautical Aircraft Hangar/Building Agreements;
9. Fixed Base Operator (FBO) Lease Agreement (Northern Air);
10. County of Humboldt Airport Minimum Standards
11. County of Humboldt Airport Fee and Rate Structure
12. Non-aeronautical leases, MOUs, and License agreements

J. Airport Land History

1. California Redwood Coast - Humboldt County Airport (ACV)

a. Land Grants and Conveyances: The majority of land that makes up ACV was conveyed to the County from private landowners and the U.S. Government by Quitclaim Deed.

- 1) 1941 - Humboldt County acquired approximately 234 acres of land from private land owners for an airport site.
- 2) 1957 – Approximately 563 acres of property conveyed to the County of Humboldt, by the United States Government, via Quitclaim Deed under the Surplus Act. Land was conveyed for airport purposes.
- 3) From 1964 to 2001, the County acquired approximately 64 acres of land for the airport through Federal grant assistance programs.

b. Release of Federal Obligations on Property at ACV

- 1) July 22, 1964 – The FAA released 60.78 acres of airport property, sold to the State of California for the construction of the U.S. 101 Freeway.
- 2) February 4, 1975 – A Grant Deed by the County conveyed approximately 12.3 acres of airport property at ACV (known as Arcata Airport in 1975), to the U.S. Coast Guard. The grant deed includes language requiring the Coast Guard to maintain and continue to use the property for aviation purposes.
- 3) April 14, 1994 – The County of Humboldt granted an easement to the State of California for approximately 1.68 acres to construct and maintain a public highway east of the U.S. 101 Freeway.

2. Murray Field Airport – no federal land grant or conveyance obligations
3. Rohnerville Airport – 1995 FAA AIP land grant to acquire land for approaches
4. Garberville Airport - no federal land grant or conveyance obligations
5. Dinsmore Airport – no federal land grant or conveyance obligations
6. Kneeland Airport – no federal land grant or conveyance obligations

K. Grant History: A general history and description of Federal grants is attached. A summary table of total grants from the past to the most current follows:

Airport	Total Grants	Past Grant Acceptance Dates	Recent Grant Dates	Grant Work Description	Final Total Amount
ACV	44	1983	2017	Planning, Land Acquisition, & Airport Improvement	\$41,596,212
EKA	13	1983	2016	Studies & Airport Improvement	\$2,643,939
O16	11	1990	2017	Study, Obstruction Removal & Airport Improvement	\$3,923,049
FOT	11	1990	2010	Rehabilitate Lighting, Land Acquisition & Airport Improvement	\$995,908
D63	6	1990	2008	Studies, Rehabilitation, & Airport Improvement	\$650,063
O19	5	1990	2006	Studies & Rehabilitation	\$487,395

Total AIP \$50,296,566

L. Aeronautical Leases

1. Humboldt County Airport (ACV)

- a. Box Hangar: 1
- b. Hangar Buildings: 3
- c. T-Hangars: 17
- d. Terminal Building
 - 1) United
 - 2) Skywest
 - 3) FAA
 - 4) TSA
 - 5) ARINC Aeronautical Radio Inc.
 - 6) Coast Guard Hangar
 - 7) Mercer, Fraser & Company Land lease
 - 8) Fuel Services: The sponsor is the sole fuel provider on the airfield. Fuel is dispensed by County employees at ACV, and is available via self-fuel facilities at all airports. Revenue generated from aviation fuel sales, is deposited into the airport fund. At the time of the Land Use Inspection, the County was negotiating an updated lease with the fuel provider.

2. Murray Field (EKA)

- a. 58 Aircraft Hangar Leases
- b. 13 Tie-down agreements
- c. FBO Hangar Building/Office/Shop

- d. Civil Air Patrol – Utilities Payment
 - e. Ameriflight, Inc. – Air carrier service
 - f. Redding Aero Enterprise – Air carrier service
 - g. West Air Industries (West Air/Federal Express) Air carrier service
3. Rohnerville (FOT)
 - a. Hangar Leases – 16
 - b. Tie-down Agreements – 1
 - c. Land Lease: Department of Forestry and Fire Protection (CAL FIRE)
 - d. Land Lease: Fortuna Ace Hardware, Inc.
 4. Garberville (O16)
 - a. 14 Hangar leases
 - b. 6 land-lease agreement (private hangars)
 - c. 8 Tie-down agreements
 5. Kneeland Airport (O19): Several Transient Tie-downs
 6. Dinsmore Airport (D63): Several Transient Tie-Downs

Additional details are described in the section Q, Findings and Issues, page nine of this report.

M. Non-Aeronautical Leases

1. Humboldt County Airport (ACV)
 - a. Three Memorandums of Understanding (MOUs) with the County Public Works Department
 - b. District Attorney – License to use building
 - b. Animal Shelter License – Sheriff Department (Record indicates the license was reviewed by SFO-ADO)
 - c. Murphy’s Market Building Rental (storage for non-aeronautical items)
 - d. SITA (Communication Service)
 - e. Grounds Keeper (License) – Storage of Landscaping Materials
 - f. Stericycle building/land rent (medical waste disposal/transport)
 - g. Humboldt Trap and Skeet Club
 - h. Airport terminal concessionaires, including:
 - 1) Budget Rental Car
 - 2) Hertz Rental Car
 - 3) Republic Parking
 - 4) Cornucopia (sign/display service)
2. Murray Field (EKA)
 - a. Public Works – Roads Division (storage)
 - b. Offices or space for ground courier/delivery services
 - c. Cal - Overnight Express

- d. Federal Express
 - e. Sacramento Overnight
 - f. On Trac Express
 - g. Golden State Overnight Delivery Services, Inc.
 - h. United Parcel Service
 - i. Northwind Delivery Service
 - j. Quest Diagnostic
 - k. Northern CA Community Blood Bank
3. Rohnerville (FOT)
- a. County Public Works – MOU
 - b. County Sheriff Department – Pig Farm MOU 10 years term (In-kind Services)
 - c. Sean O’Day License Agreement – 27 acres for grazing and barn
 - d. UNAVCO GPS System
 - e. Public Works Roads Division MOU
4. Garberville Airport (O16): One non-aeronautical lease issued to Public Works Roads Division MOU.
5. Kneeland Airport (O19): No non-aeronautical leases found.
6. Dinsmore Airport (D63): No non-aeronautical leases found.

N. Main Annual Operating Revenue ending Fiscal Year 2017 (7/1/2016 – 6/30/2017)

1. Humboldt County Airport (ACV)

Landing Fees	\$164,437
Terminal Income	114,147
Security Requirements	19,377
Aircraft Storage T-Hanger	2,745
Aircraft Storage-Tie-Downs	5,532
Building Rent	46,582
Ground Rent	29,210
Rental Cars - Terminal Income	220,406
Auto Parking - Terminal Income	343,645
Other Concessions-Terminal Income	28,333
Sales - Fuel & Oil	752,984
Fuel Flowage Non-retail	105,904
Misc. General Revenue	21,926
Transfer from Hanger Trust	74,217
Other Revenue	89,415
Total Main Operating Revenue	\$2,018,860
Total Main Operating Expense	<u>\$3,247,335</u>
Net Operating Loss	<u>-\$1,228,475</u>

2. Murray Field (EKA)

Fixed-Based Operator	\$ 1,953
Landing Fees	24,072
Aircraft Storage T-Hanger	102,497
Aircraft Storage-Tie Downs	11,520
Building Rent	2,911
Ground Rent	5,989
Fuel Flowage	1,840
Misc. General Revenue	60
CAAP Murray	(10,000) [Not Applicable as Revenue (State grants)]
Total Operating Revenue	\$151,662
Total Expenditures	\$ 54,293

3. Rohnerville Airport (FOT)

Landing Fees	\$11,678
Aircraft Storage T-Hanger	39,439
Aircraft Storage-Tie Downs	226
Building Rent	660
Ground Rent	12,291
Auto Pkg – Terminal Income	600
Sales, Fuel & Oil	21,110
Fuel Flowage	4,790
Misc. General Revenue	0
CAAP Rohnerville	(10,000) [Not Applicable as Revenue (State grants)]
Total Operating Revenue	\$ 90,794
Total Expenditures	\$ 65,364

4. Garberville Airport (O16):

Aircraft Storage T-Hanger	\$11,142
Aircraft Storage-Tie Downs	5,045
Ground Rent	11,444
Sales, Fuel & Oil	19,586
Misc. General Revenue	0
CAAP Garberville	10,000 [Not Applicable as Revenue (State grants)]
Total Operating Revenue	\$ 47,217
Total Expenditures	\$ 54,744

5. Kneeland Airport (O19)

Total Operating Revenue \$ 2,908

Total Expenditures \$ 2,908

6. Dinsmore Airport (D63)

Total Operating Revenue \$ 2,084

Total Expenditures \$ 2,084

O. Federal Obligations pertaining to use and disposal of airport property:

1. Surplus Property: The County is obligated through the acceptance of the 1957 Quitclaim Deed (Deed) transfer agreement for the Humboldt County Airport (ACV) to the terms and conditions listed in the Deed agreement. These obligations require that the land be used for airport purposes for the use and benefit of the public on reasonable terms and without unjust discrimination, and without the granting or exercising of an exclusive right. The Deed obligates the County to use ACV airport property for airport purposes only. The Deed also stipulates that the County cannot lease, sell, salvage or dispose of the land for other than airport purposes without prior approval of the Civil Aeronautics Administrator (FAA as the successor).

The County is further obligated through Federal Grant Assurances including 5, 20, 21, 24, 25 and 29 contained in AIP development grants, which have been accepted within the past 20 years.

2. Land Acquired with Federal Funding Assistance: Please see Item I, *Airport Land History*, above. (During 1964-2001, the County acquired approximately 64 acres of land for the airport through Federal grant assistance programs.

P. Airfield Inspection

We performed a limited-scope airfield inspection of all six airports, owned and operated by Humboldt County. No serious discrepancies regarding the condition of the runways and taxiways, were found at Arcata, Garberville, Rohnerville, and Kneeland airports.

At Murray Field, alligator cracking on taxilane pavement at/near the hangar areas indicates pavement failure.

At Dinsmore Airport (D63), pavement throughout the airport was substantially cracked, and grass was growing inside of the cracks. Unless the grass is eradicated and pavement cracks sealed, the pavement will continue to degrade.

Q. Findings and Issues

The following issues were observed during the land use inspection at the six airports, owned by Humboldt County. Some of the issues contain additional verbiage, identified as Recommendations and Action Items. The airport must submit a corrective action plan, addressing all of the Correction Items, within 30 days of receipt of this report. If the County expects that any of the items will exceed 30 days for correction, this office must be notified and additional time granted for correction.

1. A review of land conveyances for the Humboldt County Airport (ACV), revealed that the airport originally acquired 861 acres of airport land. Three instruments of airport land release were found, releasing 74.76 acres. Therefore, the airport should now consist of 786.54 acres.

A review of the Airport Master Record (FAA Form 5010), however, states that the acreage of the airport is currently 745 acres. A review of the Airport Layout Plan (ALP) signed by Humboldt County, lists the airport acreage as 681 acres.

Action Item One: The airport must reconcile disparities between the conveyance documents (All land acquired by the airport, less three land releases approved by FAA), the 5010 and the ALP. A report, documenting all disparities and corrective actions needed must be sent to this office for review.

2. Aeronautical Leases were reviewed to ensure that lease terms were limited to reasonable periods of time, and contained necessary lease conditions. We found that some leases did not have all FAA recommended lease agreement conditions. Examples include the following:

- a. The Murphy's Market lease at ACV does not contain an escalation or assignment clause.
- b. The Northern Air fixed-base operation lease for EKA, does not have escalation clauses.
- c. Most of the County owned aircraft hangar leases at the airports do not have an escalation clause, but run on a month-to-month basis.
- d. The South Cox land lease for O16 does not have a reversion clause, or an airport protection clause.
- e. The Sanders land lease at Garberville Airport does not have a reversion clause.

Action Item Two: The County must review all leases and other airport property use agreements, and amend the documents as necessary. All leases and property use agreements must include a standard subordination clause, a reference requiring the tenant's compliance with the airport's minimum standards, and an escalation clause. Lease review should also ensure that all applicable leases are in compliance with the *FAA Hangar Use Policy*.

3. Several non-aeronautical uses of airport property and facilities were found, that may not be in accordance with the sponsor’s obligation stipulated in the April 1957 GSA Quit Claim deed (agreement) provision six (6). This Quit Claim Provision states: “That no property transferred by this instrument shall be used, leased, sold, salvaged, or disposed of by the Party of the Second Part for other than airport purposes without the written consent of the Civil Administrator...”

The following four exhibits illustrate examples of non-aeronautical uses of airport property and facilities.



Exhibit 1. ACV - Public Works Building and Land Use for Non-aeronautical purpose



Exhibit 2. ACV - Humboldt Skeet Club



Exhibit 3. EKA - Storage Yard for Rubbish and Junk



Exhibit 4. O16 - Storage for Gravel

The FAA *Hangar Use Policy* allows for limited non-aeronautical uses, when they do not interfere with the aeronautical utility of the hangar. All non-aeronautical hangar uses utilizing all or a substantial portion of a hangar must be approved by the County, approved by FAA, and must be leased at Fair Market Value. Although non-aeronautical uses of airport property and facilities observed during the inspection were apparently approved by the County of Humboldt, no records were found showing FAA approval for these activities. All existing and proposed non-aeronautical use of airport land must be submitted to the FAA for review and approval.

Action Item Three: The County must inventory all non-aeronautical uses of airport land at all six County-owned airports, and provide the list of non-aeronautical uses to

FAA for acknowledgement and approval. Once approved, all non-aeronautical land uses must be identified on the Airport Layout Plan.

All future/proposed non-aeronautical uses of airport land must be submitted to FAA for review and approval, prior to the granting of a land release.

4. Non-aeronautical uses of hangars are allowable, but only in accordance with FAA *Hangar Use Policy* guidance. As stated previously, limited non-aeronautical uses may be acceptable so long as they do not diminish the aeronautical utility of the hangar.

During a review of airport sponsor files, we were unable to find any records of a fair market value or market survey assessment regarding land used for non-aeronautical purposes. When requested, County personnel were unable to provide these records. In addition, upon review of the rental rates of the airport leases and property agreements, we found that the rates for several non-aeronautical uses were the same as aeronautical uses of the airport. This indicates that non-aeronautical users of the airport were likely not charged fair market value.

The County should incorporate provisions in leases that stipulate the City will adjust rental rates to fair market value (FMV) when unacceptable, non-aeronautical uses are found at airport hangars. Therefore, if a tenant uses a hangar for non-aeronautical purposes in violation of the Hangar Use Policy, the rental payments due to the sponsor would automatically increase to FMV level.

Action Item Four: The County must inspect all hangars at county-owned airports to ensure that hangars are used for aircraft storage and/or aeronautical uses only.

Recommendation One: The County should establish a hangar use program to periodically inspect airport hangars. Hangars should be inspected at least once per year to prevent unapproved non-aeronautical uses of hangars or facilities.

5. During the inspection of airport facilities, use of airport land for the storage of cars and trailers, debris and junk was observed on the airport(s). The County should identify the owners of the items, and arrange for removal and cleanup. See Exhibits 5 through 8, below:



Exhibit 5. ACV - Trailer Home



Exhibit 6. EKA – Non-Aeronautical Storage in Hangar Buildings



Exhibit 7. O16 – Three Unauthorized Trailers Observed



Exhibit 8. O20 – Unauthorized Storage for Non-aeronautical Purposes

6. A review of non-aeronautical usage of airport land, and associated leases did not include any documentation showing that airport land and/or facilities been assessed on a reasonable basis, such as, by a fair market appraisal. The County should obtain the services of an independent appraiser to conduct an appraisal of airport land and facilities, thus providing current, Fair Market Value (FMV). Using this information would ensure that the County was charging FMV for all non-aeronautical uses of airport land and facilities, as well as establishing rental and lease rates for new leases and contracts that are at FMV. The County should increase rates to FMV every four or five years, and insert appropriate language into the lease language.

Action Item Five: All identified non-aeronautical uses of airport land and/or facilities must be appraised and the lease rates adjusted to Fair Market Value.

7. The County of Humboldt has not submitted its financial information to the FAA for FY 2017. The County's operating and financial summary reports were due on October 28, 2017. If not submitted, this oversight would violate the FAA Authorization Act of 1994 and this violation may negatively impact FAA grant funding.

Action Item Six: Humboldt County must immediately submit financial information for the California Redwood Coast – Humboldt County Airport (ACV) to the FAA. The submittal is required by the FAA Authorization Act of 1994, and should be sent via FAA Form 5100-26 and FAA Form 5100-127.

8. A review of Single-Audit Reports from Fiscal Years 2015, 2016, and 2017 revealed a repeated finding that the County lacked a year-end closing process to perform reconciliations of significant accounts and year-end audit adjustments. Specifically, Finding 2017-002, from the 2017, Single Audit Report stated the following:

During the audit, [the auditor] noted several significant account balances such as capital assets, inter-fund transfers, and long-term liabilities that were not reconciled in the general ledger. While the County was able to produce reliable schedules to support its account balances, these balances were not reflected in the general ledger. Additionally, the County does not currently record all of our year-end audit adjustments.

This issue had not been resolved as of the dates of the Land-Use Inspection.

Action Item Seven: The County must resolve Finding 2017-002, of the Fiscal Year 2017 Single Audit and Passenger Facility Report.

9. A review of the County's Fiscal Years 2015, 2016, and 2017 budget reports revealed that the County Airport System operational income had a net loss. This is an indicator that the County may not be charging lease rental rates that would make the airports as self-sustaining as possible, as required by Assurance 24, *Fee and Rental Structure*, or not managing the airport system business operations as efficiently as

possible or a combination of both. For example, the ACV terminal parking lot is owned by the County, but is managed by a private company that receives about 50% of the revenue with the other 50% going to the County although the County maintains the parking lot. It does not appear to be good business practice for the owner of the revenue generating source to give-up 50% of the profits.

Action Item Eight: The County must set and charge rates to make the airport system as self-sustaining as possible. The airport must periodically conduct an appraisal of airport facilities to ensure that rental/lease rates are periodically adjusted to reflect fair market value for non-aeronautical leases, and an appropriate lease/rental rate for aeronautical leases and rentals.

10. The County represented certain operational costs as fund transfers among the six airport ledgers to distribute the cost of labor for each airport at the end of the year. However, these transfers do not describe or specify what those costs are for and indicate which airport account is appropriate for those costs in the ledger report. Therefore the revenue and expense ledgers are not clear and informative when transfers are used.

Although the use of revenue (trust)/expense transfers may simplify the movement of funds, they do not clearly convey what the actual funds are, and which airport they pertain to. For example, entries such as “Miscellaneous General Revenue,” “Hangar Trust Transfer,” “Transfer from Motor Pool Fund,” do not clearly indicate the source of funds being transferred.

Recommendation Two: The County should adopt clearer accounting methodology to indicate the actual expense and the type of incoming funds, such as generated revenue, loans, and County subsidies.

11. Pavement damage and/or issues likely to cause pavement damage were observed at Murray Field, and at Dinsmore Airport. The County should take immediate action to remedy the maintenance/construction issues at both airports, and work with the San Francisco Airport District Office, if needed, to address and correct pavement cracking at Murray Field.

Conclusion

We found that Humboldt County land uses are not in accordance with the Grant Assurances. Although recent changes in airport management have resulted in improvements to the management and operation of the airports, additional corrective steps must be taken, including improvements to financial performance. Eight (8) Action Items were identified in this report, resulting from non-compliant issues observed during the inspection. The County of Humboldt must submit a corrective action plan to this office within thirty (30) days of receipt of this letter.