

NOTICE OF SPECIAL MEETING

SHEBOYGAN COUNTY AIRPORT ADVISORY COMMITTEE

Tuesday, July 12, 2022

3:00 P.M.

Sheboygan County Memorial Airport
Aviation Heritage Center Hangar
N6191 Resource Dr
Sheboygan Falls, WI 53085

AGENDA

1. Call to Order
2. Certification of Compliance with Open Meeting Law
3. Approval of Minutes – 05/10/2022
4. Discussion of Sheboygan County Memorial Airport Fixed Base Operator
5. Citizen Input at the Discretion of Chairperson

Adjournment

Next Scheduled Meeting: August 09, 2022 at 3:00 p.m.

Prepared by:
Amy Wieland 920-459-3822
Recording Secretary

NOTE: Persons with disabilities needing assistance to attend or participate are asked to notify the Transportation Department Office at 920-459-3822 prior to the meeting so that accommodations may be arranged.

A majority of the members of the County Board of Supervisors or of any of its committees may be present at this meeting to listen, observe, and participate. If a majority of any such body is present, their presence constitutes a "meeting" under the Open Meeting law as interpreted in State ex rel. Badke v. Greendale Village Board, 173 Wis. 2d 553 (1993), even though the visiting body will take no action at this meeting.

SHEBOYGAN COUNTY AIRPORT ADVISORY COMMITTEE MINUTES

Sheboygan County Airport
N6193 Resource Dr.
Sheboygan Falls, WI 53085

May 10, 2022

Called to Order: 3:00 P.M.

Adjourned: 3:35 P.M.

MEMBERS PRESENT: Thomas Trester, Matthew Grenoble, David Hilpertshauser, Lee Kunze, Roger Te Stroete, Glenn Valenstein, and Thomas Wegner

ALSO PRESENT: Greg Schnell, Bridgette Cornett, Emily Stewart and Amy Wieland

Chairman Tom Trester called the meeting to order at 3:00 p.m.

Chairman Trester certified compliance with the open meeting law. The notice was posted at 2:30 p.m. on May 9, 2022.

Thomas Wegner motioned and Glenn Valenstein seconded the motion to approve the minutes from February 8, 2022. Motion carried with no nay votes.

There was no citizen input.

Airport Superintendent Matt Grenoble stated that the Transportation Committee approved to hire an intern at the Sheboygan County Memorial Airport.

Grenoble said that the FAA will be bringing the temporary tower for the weekend of the NASCAR event.

Grenoble explained future projects: airfield markings and an open house.

New Business: Glenn Valenstein asked why Sheboygan County was looking to purchase a hangar at the airport. Grenoble stated that there has been interest to purchase a hangar as there have been many requests to rent temporary space. Transportation Director Greg Schnell said that he and Grenoble are tasked with seeking more revenue to reduce the airport's reliance on the tax levy.

Lee Kunze asked who to contact when there are situations that cannot wait until business hours. Grenoble stated to call or text him or can contact Burrows.

Te Stroete inquired about internet access to the public at the airport. Grenoble will look into the possibility.

There was no old business discussed.

The next Airport Advisory Committee meeting will be held on August 9, 2022 at 3:00 p.m.

Motion by Thomas Wegner and seconded by Roger Te Stroete to adjourn at 3:35 p.m. Motion carried with no nay votes.

Recording Secretary
Amy Wieland

Chairman
Tom Trester

SHEBOYGAN COUNTY MEMORIAL AIRPORT
FIXED BASED OPERATOR PROPOSAL

"A FLIGHT FORWARD"



CONTRIBUTING AUTHORS

ADAM PAYNE, COUNTY ADMINISTRATOR
WENDY CHARNON, FINANCE DIRECTOR
GREG SCHNELL, TRANSPORTATION DIRECTOR
MATTHEW GRENOBLE, AIRPORT SUPERINTENDENT
EMILY STEWART, BUSINESS MANAGER

TRANSPORTATION COMMITTEE

THOMAS WEGNER, CHAIRPERSON
ROGER TESTROETE, VICE CHAIRPERSON
AL BOSMAN, SECRETARY
JACKIE VELDMAN, SUPERVISOR
JON KUHLOW, SUPERVISOR

JULY 5, 2022



SHEBOYGAN COUNTY

Matthew Grenoble, Superintendent
Sheboygan County Transportation Department – Airport Division

EXECUTIVE SUMMARY

ACTION REQUESTED

Sheboygan County serving as a competing Fixed Based Operator (FBO) at the Sheboygan County Memorial Airport.

RATIONALE

Although the Sheboygan County Memorial Airport is a critical asset to the County, one area outside the control of the County Board is the administration of the FBO. FBOs serve valuable roles at airports around the country, providing a range of services for pilots and passengers. They fuel, service, and tow aircraft, along with a wide range of other responsibilities. While the current structure can work seamlessly, that is not the present situation. In the case of the Sheboygan County Memorial Airport, it has become very evident over time that the current FBO is not operating in a way that aligns with the County’s high standards of service and professionalism. This reflects less than favorably on Sheboygan County, including its residents and employees. As of May, 2022, the fuel prices charged by the current FBO were the highest in a 50-mile radius, and the second highest in the entire State of Wisconsin. Beyond missing out on the opportunity to leave a great impression on visitors, the County is also missing out on providing more competitive fuel pricing, attracting customers, and other opportunities. Operating an FBO also offers a variety of revenue streams, and the County and its taxpayers could capitalize on this cash flow to enhance services at the Airport and eliminate the reliance on property taxes. Approximately 47% of airports across the U.S. have sponsor-run FBOs, so the approach being requested is not uncommon.

SHEBOYGAN COUNTY MEMORIAL AIRPORT

The Sheboygan County Memorial Airport has served the community for over 60 years. When visitors fly in, the Airport offers them the first impression of Sheboygan County and our community. This encounter can shape the way they feel about the area, whether they want to visit again, and/or conduct business here. Over the years, the Sheboygan County Board and community as a whole have shown a strong commitment to the Airport, most recently by supporting the construction of a new terminal and U.S. Customs facility. Since they take such pride in the communities they serve and in which they live, Board members have a vested interest in seeing the Airport be successful. Recently, the Airport and FBO operations were as visible as ever before. The Ryder Cup at Whistling Straits brought in visitors from around the world, with 80 aircraft parked at one time, and a total of 1,100 aircraft operations during the event. At any given time, six major corporations store their jets at the Airport during normal operations, including Sheboygan County’s largest employer. Additionally, according to a report by the Bureau of Aeronautics, the Sheboygan County Memorial Airport provides approximately \$26 million in annual economic output.

CAPITAL INVESTMENTS

The fiscal impact has been carefully analyzed by the County Finance Director and Sheboygan County Memorial Airport Superintendent.

FBO CAPITAL BUDGET	
Hangar	\$ 1,200,000
Fuel Farm	\$ 1,000,000
Fixtures	\$ 200,000
Technology	\$ 100,000
Consultant	\$ 225,000
Contingency	\$ 408,750
7% Cost Escalation	\$ 28,600
Initial Investment	\$ 3,162,350

INTRODUCTION

The Fixed Based Operator (FBO) is an important component of any airport. It is the face of that airport, just as the airport itself serves as the face of the community. Visitors, whether flying in for personal, business, or recreational purposes, will form a first impression of the County as they fly into our airport. An FBO should provide quality service that reflects the values of the community, and is critical to the airport's business model and success. While objective factors, such as hours of operation and aviation fuel prices need to stay competitive, so do the subjective, more nuanced factors. Offering a professional, hospitable atmosphere sets the stage for the type of community that Sheboygan County is – one that welcomes its visitors and businesses, and offers endless opportunities, both professional and recreational.

FBOs directly influence an airport's desirability by providing services, some standard and some optional. Such essential services include aircraft fueling, hangar storage for airport tenants and external visitors, marshalling aircraft and providing parking accommodations. Beyond these core offerings are the optional ones that play a large role in user experience. Aircraft charter services, flight training, mechanical repairs, and avionic services are all amenities that can drive up – or drive down – the appeal of an airport. A facility that makes pilots' and passengers' lives easier, and one that meets their expectations for interesting or skill-improving opportunities, is a more attractive one.

An airport with more allure to visitors also means an airport that is more competitive and attractive for economic development. The effects to the local economy are considerable, which is why providing the best space to welcome aviation traffic is so important. A 2018 study commissioned by the Wisconsin Department of Transportation – Bureau of Aeronautics determined that the Sheboygan County Memorial Airport provided \$25.9 million in annual economic output, supported 76 jobs and \$6.8 million in labor income, and \$8.7 million in value added to the local economy. It is not just that pilots should have a comfortable lounge in which they can relax and recharge; the people that live and work in Sheboygan County gain from having the Sheboygan County Memorial Airport as a local asset. Outside of the County, from across the country and world, our community has a place on the radar of aviation users and leaders because of all the Airport and County have to offer. Offering the best resources at the best price is a responsibility that the FBO must balance carefully, even when external factors make this challenging.



SHEBOYGAN COUNTY MEMORIAL AIRPORT

Having served the area for over sixty years, the Sheboygan County Memorial Airport is a staple of the community and its transportation network. It is home to more than 70 private tenants and six corporations, with more than 220,000 square feet of public aircraft parking available. The footprint of the Airport property for aviation-related use, including the runways and taxiways, is over two million square feet. Sheboygan County owns the Airport grounds and has made considerable improvements. According to the Bureau of Aeronautics, about \$36 million has been invested into our Airport over the past twenty years from Federal, State, County, and local sources. Capable of handling several classes of aircraft, all the way up to the size of a regional jet, the Airport serves private, flight training, and business users. Pilots and passengers travel to the area from all corners of the country, and from around the world. As the fifth busiest general aviation, non-commercial service airport in the State, and eighth busiest overall, the Sheboygan County Memorial Airport sees about 40,000 aircraft operations on an annual basis. A recent investment is expected to spur aviation traffic at our Airport even more.

In Spring of 2021, years of planning and collaboration culminated in the opening of the United States Customs and Border Protection international arrivals facility. The new facility also included a General Aviation terminal and Airport administration offices. While the Customs office allows international traffic to flow directly into the Sheboygan County Memorial Airport, the other side of the facility is used for County administration and any



general aviation traffic not requiring services from the FBO. It includes a conference room, restrooms, shower facilities, Airport personnel offices, a lobby, waiting area, and office space available for lease and future growth. The building was strategically sited so that Airport staff have a clear view of the airfield, particularly useful when poor weather conditions or heavy traffic are present. A testament to the spirit of collaboration that defines the community, the U.S. Customs facility was made possible because of a strong partnership among Sheboygan County, the Wisconsin Department of Administration – Bureau of Aeronautics, and the Kohler Company.

The Airport property under County ownership consists of 1,094 acres of airside infrastructure, including runways and taxiways, and landside infrastructure, such as buildings and grounds. Its operations are supported by three full time staff members and one casual employee. Airport staff are responsible for responding to incidents and emergencies 24 hours a day, 365 days a year. In order to carry out its mission “...to provide a safe, modern, and efficient transportation facility for our citizens, air travelers, airport

tenants, and clientele,” the County Transportation Department’s Airport Division operates under Chapters 61 through 64 of the Sheboygan County Code of Ordinances.

FIXED BASED OPERATOR MANAGEMENT ANALYSIS

The Sheboygan County Memorial Airport is home to one FBO, whose sole location is this airport. The current tenant began its FBO agreement with the County in 2009, with a base term of 25 years, and three 25-year extension options. Under this agreement, the current tenant is required to administer certain FBO services. Its offerings include tie-downs, heated hangars, de-icing, Jet A and 100LL aviation fuel services, lounge spaces, and a restaurant. It has about eight employees, consisting of both full- and part-time members. The FBO leases an area southwest of the main airport facility, with a 25,000 square foot flagship building. It includes offices, hangar, and a restaurant with a full kitchen and dining room. They also own the original FBO facility on the main terminal ramp, along with the fuel farm.



The level of service that is expected of the FBO has diverged between the current tenant and Sheboygan County. The Airport Division has little recourse when these differences occur, limiting its ability to assure the same high standards as the rest of its operations. There have been instances where the current FBO operator has run out of fuel, negatively impacting our major corporations and tenants. In addition, the County relies in part on a per-gallon surcharge from fuel sales to reduce reliance on property taxes; this means that other cities and counties are capturing funds that could – and should – stay in Sheboygan County. Airports as little as 30 miles away are receiving revenue from Sheboygan County tenants due to an inadequate supply of fuel and high prices charged by the current FBO. Pilots are led to an understandable choice – purchase additional fuel elsewhere so they can avoid filling up at the Sheboygan County Memorial Airport, or simply land elsewhere entirely.

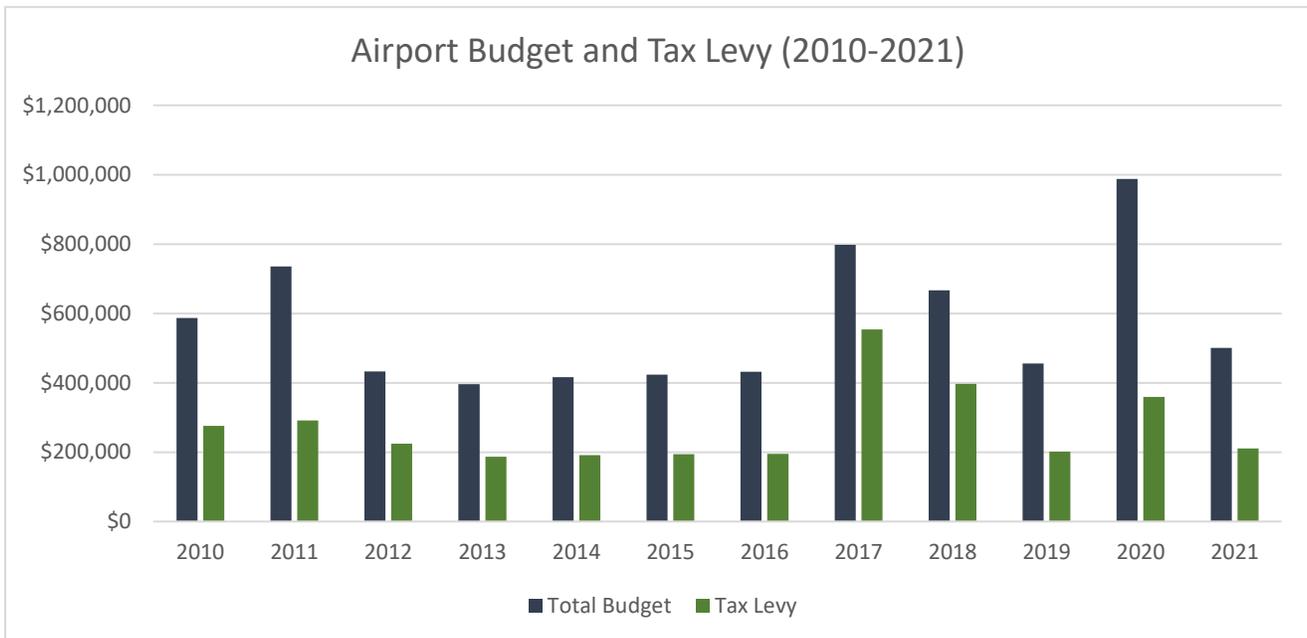
Lacking the latitude to fully control County-owned facilities, all of the contributing authors of this paper want the opportunity to operate its own FBO.

SUMMARY OF TRILLION AVIATION ASSESSMENT

In 2016, the Sheboygan County Transportation Department’s Airport Division commissioned an analysis of FBO management alternatives. According to the report written by Trillion Aviation, “...it is recommended that the County pursue a model that is County owned and managed with County employees.” It outlines the reasons as follows:

1. This is the only true way for the County to be able to influence pricing.
2. Since County employees are non-union, cost and work rules are competitive with a third-party contractor.
3. With employees, the County can invoke the proprietary exclusive right and not have to face competition.
4. The financial return is the greatest.
5. Since there is a current Airport Manager and that person would be directing both sides of the operation, conflict is avoided and cross utilization potential is maximized.
6. Surplus funds can be used for capital project local match needs and to fund ineligible or low Federal Aviation Administration priority projects.
7. Allows for the direct relationship with airport tenants which should ensure an understanding of needs.
8. With the County setting fees, it can balance competitiveness with cash demand requirements.
9. Allows the County to pursue additional services without return on investment being the sole criteria for implementation.

With its ability to control service, pricing, and administration, Sheboygan County can provide better services and foster economic development at the Airport and in our community. In addition, by diversifying its revenue, the County can eliminate the property tax subsidy and more effectively achieve its mission.



PROPOSED FBO ARRANGEMENT

The Federal Aviation Administration allows for multiple FBOs to compete at the same airport, which is not an uncommon scenario. Using this approach, Sheboygan County would facilitate the construction of

needed infrastructure, and perform its own operations management. It would be a parallel setup to the existing FBO, without acquiring it and exercising proprietary exclusive rights.

The user experience with a County-operated FBO would be top notch. Equipment would be maintained and cared for, just as the Airport and Highway Division staff currently take pride in doing. Facilities would be clean, welcoming, and accessible, with maintenance staff and cleaners that take the same pride in a job well done. Staff would be readily available, kind and courteous, positively reflecting on Sheboygan County. County staff would also be held accountable to upholding the high standard of service that would be provided to the pilots, passengers, and crew arriving or departing the Sheboygan County Memorial Airport.



Upfront capital expenditures include the lease of fuel trucks, purchase and development of a fuel farm, and design and construction of a hangar. The Transportation and Finance Departments have developed preliminary cost estimates for this capital infrastructure. The largest revenue generator (and associated expense) is the sale of aviation fuel. The County's strong reputation means it would effectively compete and garner the fuel sales of existing corporations and tenants, including those that have chosen to fuel at other airports because of the uncertainty and high fuel prices set by the current FBO.

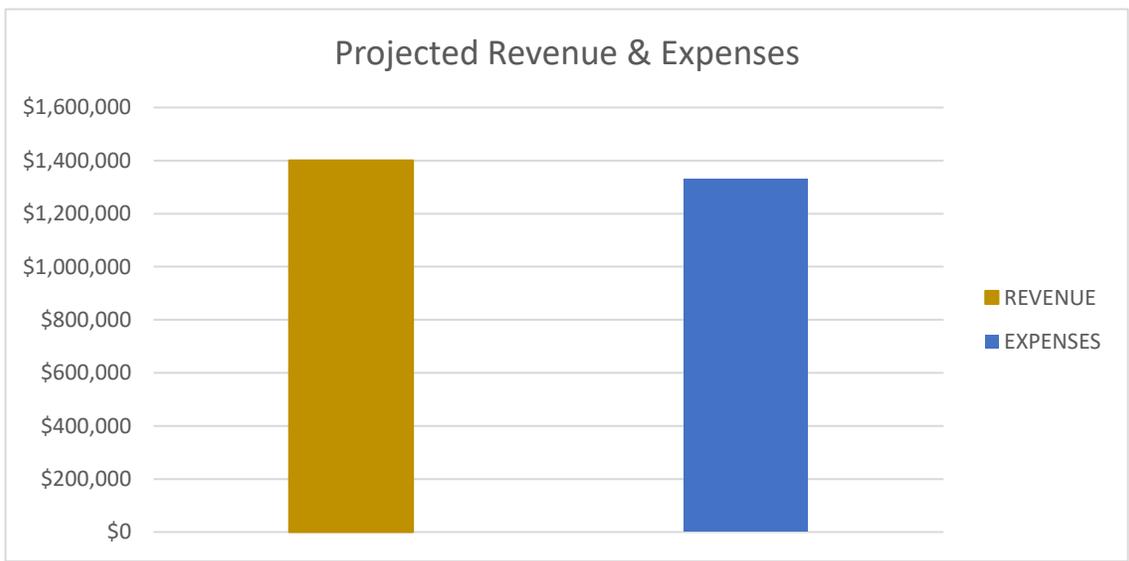
BUSINESS PLAN

The Sheboygan County Transportation and Finance Departments have developed a business plan that illustrates the County's role as an FBO owner and operator. The plan was created based on input and feedback from the contributing authors of this report, other airports, revenue forecasts, staff experience, and extensive research. The primary goals are to enhance service, reduce fuel costs, and eliminate reliance on the property tax levy to subsidize operations. In addition to freeing up property tax levy dollars that could help support other departments, the Airport would no longer rely upon bonding for capital

projects. This would provide additional funds for other County departments to help maintain their infrastructure and invest in capital projects, while the Airport relies on fuel and alternative revenue sources to do the same.

BUDGET

A base budget worksheet for the new FBO structure is shown on the following page. The baseline numbers used were taken from the 2021 Airport Division Budget, which reflected actual performance from a full budget year, rather than using the projections in the 2022 budget. Ultimately, the fiscal objective of County ownership of the FBO is to eliminate the Airport’s reliance on the property tax levy. At a time when the County is subject to State-imposed property tax levy caps, and County officials must balance the services it provides with the revenue it takes in, this is a welcome prospect.



FBO CAPITAL BUDGET		
Hangar	\$	1,200,000
Fuel Farm	\$	1,000,000
Fixtures	\$	200,000
Technology	\$	100,000
Consultant	\$	225,000
Contingency	\$	408,750
7% Cost Escalation	\$	28,600
Initial Investment	\$	3,162,350

FBO ANNUAL OPERATING BUDGET		
	70% of fuel sales (with levy)	100% of fuel sales (without levy)
Revenue		
Levy	\$ 230,377	\$ -
Land Leases	\$ 135,532	\$ 135,532
Agricultural Rent	\$ 28,000	\$ 28,000
Parking Fee	\$ 30,100	\$ 30,100
Fees for Services	\$ 12,000	\$ 12,000
New Hangar Rental	\$ 12,000	\$ 12,000
Fuel Flowage (Net Revenue)	\$ 805,704	\$ 1,151,006
Fuel Flowage and De-icing Fees	\$ 29,400	\$ 29,400
Interdepartmental	\$ 2,640	\$ 2,640
Total Revenue	\$ 1,285,753	\$ 1,400,678
Expenditures		
Personnel	\$ 756,155	\$ 893,168
Operating	\$ 217,399	\$ 217,399
Capital Improvements - Maintenance	\$ 30,000	\$ 30,000
Software	\$ 20,000	\$ 20,000
Insurance	\$ 8,000	\$ 8,000
Vehicle Leases	\$ 115,200	\$ 115,200
Interdepartmental	\$ 46,719	\$ 46,719
Total Expenditures	\$ 1,193,473	\$ 1,330,486
Gain/(Loss)	\$ 92,280	\$ 70,192

For the initial capital investment, use of the unassigned fund balance in the general fund is recommended. Presently, the County’s unassigned general fund balance is \$25,261,332. This is 28% of the 2022 projected governmental expenses. According to our Fund Balance Policy, the County should maintain a minimum balance of 15% and a maximum balance of 30%. If the County chose to make this investment, the unassigned fund balance is very healthy and can absorb the \$3.1 million allocation. The fund balance would subsequently be at 24% of our governmental expenses, still well within the County’s fund balance policy.

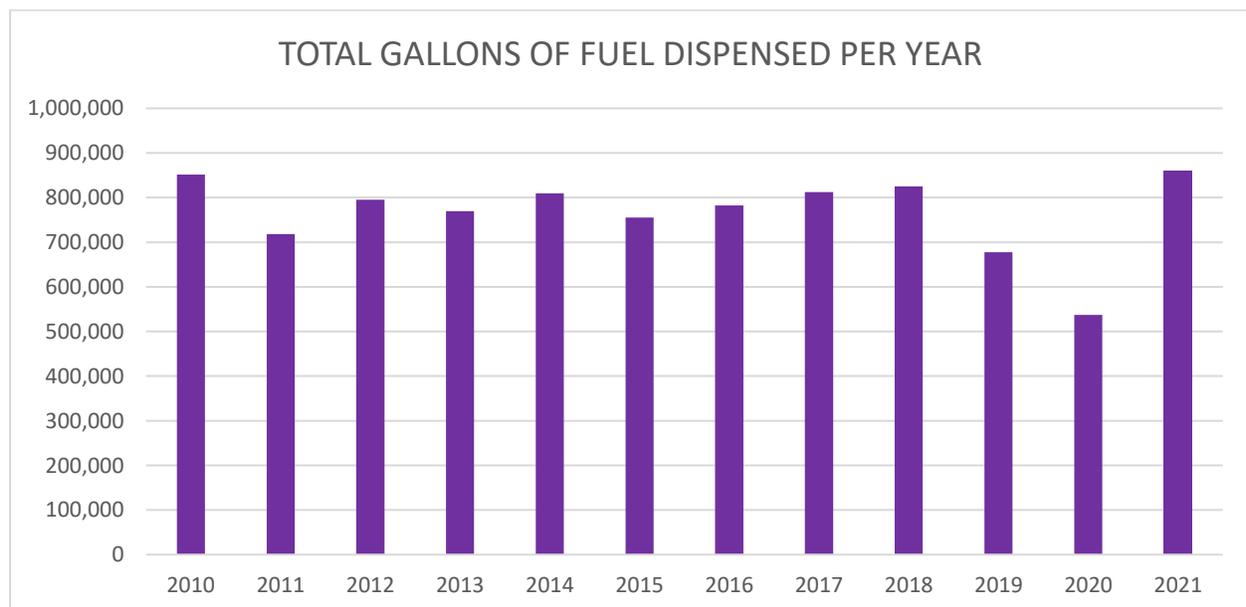
Alternatively, if the County were to include this investment within the Five-Year Capital Plan, an additional burden of approximately \$800,000 in interest expense would be incurred for debt service.

Generally, investments like this have been planned with reimbursements back to the general fund from grants, settlement funds, or prorated revenues to be generated by the venture. However, at this time, the Transportation Committee and County Administrator are proposing not to have these funds reimbursed into the general fund, but rather reinvested into the Airport.

OPERATIONS PLAN

FUEL SERVICE

One of the services required of an FBO is providing aviation fuel and dispensing it into aircraft. Currently, the County only receives a small per-gallon surcharge on the volume of fuel sold. However, by operating as the FBO, the County would capture all of the per-gallon revenue. Even with year-to-year fluctuations in demand, conservative estimates still show a positive gain from the sale of fuel. The umbrella of fuel service consists of several components: a fuel farm, fuel trucks, and employees to refuel aircraft. The number of employees anticipated is discussed as part of the staffing plan.



If the County were to compete as an FBO, it would be responsible for building a new fuel farm. Site preparation and construction of a facility capable of holding at least 20,000 gallons of jet fuel and 12,000 gallons of 100LL fuel would take place. Also, in order to bring the fuel to the aircraft, refueling trucks are

needed. With the County acting as a competing FBO, two refueling trucks would be procured upfront. One 5,000 gallon jet fuel refueling truck and one 1,000 gallon 100LL fuel refueling truck would be leased.

STAFFING PLAN

Based on the experience of Airport management with other FBOs and with comparable airports, the addition of five staff members will be needed. They would be responsible for a range of duties that are necessary to provide the high level of service that the County and customers would expect. Line service technicians would be responsible for fueling, tie-down, servicing, and towing of aircraft. Accounting staff are needed to manage the day-to-day business operations, including invoicing, payroll, inventory, and budgeting. Similar to the line service technicians, customer service staff would need to be available dawn to dusk, seven days a week, since this is the required availability of an airport FBO. They would be the welcoming voice when customers call or walk into the building, directing them to the proper place for the services being requested.



The existing Airport maintenance staff members would be cross-trained to also work with the FBO if relief staff is needed. However, the majority of their duties would remain the same since the the Airport property is expansive and needs a substantial time investment for maintenance. The new staff members hired for the FBO would be subject to the same high expectations of any Sheboygan County employees, including those already working with the Airport. The County has shown a commitment to onboarding high quality, hard working employees through the competitive benefit and incentive package it offers.

The Transportation Department used a conservative number when developing the budget worksheet for the personnel line item. It assumed five staff members at the midpoint of a competitive pay range with family benefits. It is unlikely that all new employees would require family benefits, which would create an actual cost savings. The Airport division would leverage half of an existing full time County employee's time. The budget implications are shown in the budget worksheet.

TERMINAL BUILDING LAYOUT

If the County were to become a competing FBO, it would operate out of the existing Customs/County terminal building in the interim, until the building could be expanded or a new one constructed to the east; this would be a particularly convenient location for the flow of aviation traffic.

TECHNOLOGY AND INSURANCE

Computers, phones, and software will be needed to support the staff. A standard Information Technology (IT) allocation will be used, just as it is for other County departments. The County's IT Department will be consulted for setup and support of this equipment. Also, an insurance allocation will be required. This number is shown in the budget worksheet, and was arrived at based on consultation with the Finance Department, in addition to other firms with knowledge of the subject.

FEE STRUCTURE

The Transportation Department has developed a fee structure for aircraft handling, which includes tie-down and parking services. Aside from the excellent service and competitive fuel prices that the County will offer as an FBO, the fees it charges will be a valuable selling point to draw in customers. For instance, Airport administration has heard many complaints from customers over the years regarding the fees charged by the existing FBO. In addition, because it will be operated efficiently and effectively, a Sheboygan County FBO will offer incentives, such as reduced or waived fees for transient and based customers. This initiative can be marketed, showcasing the County's commitment to pilots and passengers, whether they are international corporations or recreational pilots.

HANGAR DEVELOPMENT

As part of Sheboygan County's minimum standards requirements, an FBO must support an at least 2,500 square foot hangar for aircraft storage. Sheboygan County will construct or acquire a hangar that exceeds this minimum.



The County has the benefit of being able to leverage the experience of other airports in the State that have successfully built aircraft hangars. A common theme among their management is that the biggest characteristic driving hangar development is demand. Whether local businesses, individuals, or organizations have expressed interest in leasing new or additional hangar space shows a specific need,

one that the County should capitalize on. Sheboygan County Memorial Airport management has tracked this over time, and potential tenants, ranging from individual hobbyists to international corporations based in Sheboygan County, have reiterated strong interest in building or buying hangar space.

CONCLUSION

The Sheboygan County Memorial Airport is one of a few County-owned and operated facilities that can provide a revenue stream. Although innovation is key, the County will not be reinventing the wheel by managing FBO operations. The Airport Division will have the benefit of relying on the FBO experience of current management, but also the successes and lessons learned from other airports. According to the Wisconsin Bureau of Aeronautics, 45 other municipal airports in the State of Wisconsin serve as their own FBOs. Of these, 31 are General Aviation airports, similar to the operational structure and type of aviation traffic occurring at the Sheboygan County Memorial Airport.

The Transportation Department, with the support of the County Administrator and Transportation Committee, recognizes the unique opportunity of being the Fixed Based Operator. For too long, the Airport has not been fully under County control. It is time to manage and operate this critical asset, one that supports numerous jobs and millions of dollars in the Sheboygan County economy, by improving service, offering more competitive fuel prices, and eliminating the property tax subsidy. These benefits are almost unparalleled with other local government opportunities.

Although they are important, financial metrics may not resonate with Sheboygan County residents, businesses, or organizations. What speaks volumes is our community's reputation. Recently, during the Ryder Cup, a video posted online with tens of thousands of views is leaving one, sad takeaway: the Sheboygan County Memorial Airport is a bad apple. The author's concerns lie entirely with the current FBO, but Sheboygan County is taken down with it. In fact, the name of the FBO is not mentioned. Pilots flying small planes as hobbyists, aircraft enthusiasts, pilots with charter companies, or aviation officials representing large corporations have heard the same, dismal, misleading message.¹

We can and will do better. The people we serve – and the County as a whole – deserve better. By operating as the FBO, Sheboygan County will provide the highest level of service, provide more reasonable fuel and services charges, and eliminate reliance on the tax levy, making the Airport self-sustaining. It is time we take a significant flight forward.

¹ <https://youtu.be/XbdqcG4Bq7k>