

Pangborn Memorial Airport Joint Operating Agreement

A Review

Pangborn Memorial Airport is one of the most, if not the most important, Port facility. Only two current members of the Port of Douglas County Board of Commissioners were in office or participated in any way in the drafting, negotiation, or approval of the existing JOA. No current members of the Port of Chelan County commission were involved in its development. Both Port Directors and the current Airport manager participated in the development of this current JOA.

To complete this review I have interviewed the 11 people now directly involved in the Management and Operation of Pangborn, those being six commissioners, two Port directors, the airport manager, and Port of Chelan County legal counsel. It should be noted that POCC legal counsel Bob Kiesz drafted the JOA and it became effective January 1, 2004. These interviews occurred during September and October 2007. The results, conclusions and recommendations represent the combination of these interviews and as such do not just reflect the perspective of just one person.

There are several consistent themes in the comments by those interviewed. Those are detailed in this review as items that need attention to update this document. Those comments suggest there is a need to amend the JOA in only one case, and to develop memorandum of understanding to simplify and clarify the partnership arrangement in others.

As with any agreement, the parties always need to find ways to make it work.

Any opinions expressed are mine and are not from those interviewed.

Respectfully submitted,

ITEMS SUGGESTED FOR ACTION

From the interviews there appears to be only one area where the JOA needs to be improved and that is with a slight clarification of the language regarding the appointment of an airport manager and who that person is responsible to.

Proposed JOA Amendment

The recommended change involves removing ambiguities relating to how the manager is appointed and to whom the manager is responsible. The sections recommended for amendment are 8.2.7 (G.B.duties) and 9.1 (POCC duties). These recommended changes are proposed by Bob Kiesz as the way to clarify the intent and operation of these two sections.

Bob proposed change would have 8.2.7 read... “Review and approve of the employment of the individual or entity to act as the Airport Manager.”

He would also amend 9.1 by adding the phrase...”establish, supervise and direct the compensation, duties and activities of the Airport Manager...” He would have this phrase inserted in 9.1, line 7 after the words Airport Use Property.

Suggested JOA Memorandums of Understandings

There were a number of other issues raised for consideration but only as items that do or will need further clarification in some form of memorandum of understanding to the JOA. These suggestions can be accomplished through simple letters of agreement by the GB or resolutions for action by the GB or policy statements for action by the GB but do not seem to require change in the JOA itself.

Marketing

In this area the issue most often commented on was the need for a more aggressive marketing effort for both parts of PMA. air side and industrial side. Air side marketing would have as the goal keeping the boarding numbers as high as possible so as to keep the 5th flight and convince Horizon that there is enough market to even add additional flights or seats. Such specific suggestions as LINK service to meet the flight schedule, underwriting special bus service to and from Quincy and Chelan and local media promotion about flight schedule were made. Also suggested was securing a standby bus for use if flights can't get in or out of PMA.

A constant theme of many of the comments is the need to increase revenue to PMA. The question always is how. Several ideas were noted but an oft mentioned starting point was the development of area wide marketing plan and actual starting strategies. Such plan could encompass all of Douglas and Chelan Counties as well as being specific to PMA. Differences between the two Counties were pointed out...size, population, economics, power availability and rate, land availability and the legal problems of pulling together P.U.D's, County governments, Ports and the business communities. These challenges would be many but the results could be great. Such plan and its implementation would be consistent with the stated goals in section "g" in the recitals, and section 8.5 concerning the responsibilities of the GB.

Spokesperson

Another consideration raised several times was the question as to who should speak to the public for the Airport. A general thought stream said it should be the airport manager for all occasions, but perhaps deferring to a member of the GB if there was a more knowledgeable person. One response pointed out that most of the questions about PMA involved the airside and that suggested the response then should come from the Port of Chelan staff, which could also mean the airport manager. As the occasion may arise it is suggested that the decision should be with the GB. Section 8.2.13 designates the GB as the spokesperson on land use issues concerning PMA.

Owner/Operator Questions

It was pointed out that there are real differences between issues affecting ownership and issues affecting operation. For example, the purchase of land for the airport would clearly be an ownership issue and be dealt with by the GB. The question of a new private hanger lease would be an operators issue and be dealt with by Airport management or the Port of Chelan County. It suggested there be a clear statement from the partners as to how each can or will be addressed. As noted above, the JOA clearly calls for the GB to be the lead on land use issues.

Leases

The question as to how the leases operate for the benefit of PMA, PODC and POCC seem to create some operational concerns. Those concerns include questions like..."How can they best be monitored for the benefit of PMA?" What will happen to the small number current leases held directly to PMA? It was noted that these are concerns that will likely occur in the future, but the how to address them needs considered now by the GB. It was also suggested that simplification of the lease process from PMA to the Port of Douglas then to the third party user would aid the development process of the industrial lands

The Process From Here

Most of the concerns expressed fall under the province of the Governing Board. It is *my* opinion that there should be some consideration given to changes in the GB, not its make- up, but how it is organized. If each of these issues are to be considered, they can best be considered by a small working Task Force spending enough time to arrive at a considered conclusions that can then taken to the whole GB for approval, change or rejection. None of these areas of concern are simple by themselves and they are made more complex by the very nature of the partnership involved. Such a Task Force

would be a creature of the GB and therefore should be created and empowered by the GB. I would envision such a group would include a Commissioner and the ED from each port and the Manager of PMA. As it is working on a given topic, it should have the ability to draw in other professional help as needed, in particular legal counsel of the two ports or engineering advice as needed.

I am sure there will be more development and operational opportunities in the future than have been mentioned here. I would also propose a standing entrepreneurial task force to explore ideas to strengthen PMA and to keep it high in importance in the eyes of the community. *My* picture of this group includes 4 or 5 imaginative, inventive, far thinking people from any and all parts of the two Counties meeting in an open and free wheeling atmosphere to consider and develop ideas to strengthen and develop PMA. I see the Airport Manager chairing these meetings to keep them on track. Any ideas that seem workable would then be proposed to the GB for adoption, alteration or rejection. The whole purpose would be just to brainstorm ideas for PMA. Again this group becomes a creature of the GB and the GB can and should place limitation on it as may be needed.

Over the years both Ports and PMA have been very cost conscious operations. There does come a time when operation and development activities call for a studied review of personnel available and consideration of staff additions to be able to get the work done in a timely and efficient manner. It is *my* opinion that the PMA could effectively use additional staff in the current work load crunch, provided the job description for the additional person is very carefully written. PMA manager has a picture of things that need to be done at PMA. I see there is a need for the kind of person who can, project by project, push this work load to completion. It could be that such a person exists on the staff of one of the Ports, I don't know and that leads to the suggestion that the staffing of the two ports could be well analyzed. There may even be a better way to integrate the two Port staffs along with the staff of PMA

REPLACED AND RESTATED
PANGBORN MEMORIAL AIRPORT
JOINT OPERATING AGREEMENT
(2003)
PORTS OF CHELAN AND DOUGLAS COUNTIES

THIS AGREEMENT (“Agreement”) is entered into effective December 31, 2003, by and between the Port of Chelan County (“Chelan” or “Port of Chelan”), a municipal corporation of the State of Washington, and the Port of Douglas County (“Douglas” or “Port of Douglas”), a municipal corporation of the State of Washington (collectively the “Ports” or “Parent Port Districts” and individually a “Port” or “Parent Port District”), pursuant to the provisions of RCW 53.08.240 for the joint operation and management of that airport known as Pangborn Memorial Airport and the air navigation facilities incident thereto, the lands described in the attached Exhibit A, which is attached and referred to and by reference made a part of this Agreement, and the improvements thereon.

RECITALS

The following recitals are a preamble to and a part of this Agreement:

1. Chelan and Douglas have previously operated the Airport pursuant to the 1988 Pangborn Memorial Airport Joint Operating Agreement and amendments thereto, the most recent amendment being dated February 10, 1999 (collectively the “1988 JOA”).
2. Chelan and Douglas desire to amend and restate said Operating Agreement by providing for a division of labor in the management and operation of the aviation facilities and the related industrial and commercial development of the adjacent airport land not currently designated for aviation purposes.
3. In the 1988 JOA the two Ports agreed that notwithstanding their relative capital investments in the Airport each Chelan and Douglas would own an undivided fifty percent (50%) interest in the Airport as of the date of the 1988 JOA. The relative ownership interest of the Ports in the Airport since the 1988 JOA was to fluctuate based on the relative amounts of capital contributed by the Ports from and after January 1, 1988. Both Ports intend by this Agreement to confirm the respective ownership interest of Chelan and Douglas in the Airport and its assets as of this date as follows: Port of Chelan holds an undivided 61% interest in the Airport; Port of Douglas holds an undivided 39% interest in the Airport.
4. Both Chelan and Douglas recognize the fundamental importance of commercial and general aviation services to the residents of Chelan and Douglas counties and adopt the following “Guiding Principles and Goals” relating to the operation and management of the Airport.
 - a. The fundamental goal of the Ports in the ownership and operation of the airport is to provide facilities for air transportation and navigation consistent with the best airport facilities in the Pacific Northwest and dynamic enough to meet changing needs of the

communities served. These facilities must be integrated into the national and international transportation systems.

b. The Ports recognize that the investment of public funds in the airport is intended to serve a wide variety of users. These users include the traveling public who make use of the commercial carriers which serve the airport; commercial air carriers and terminal tenants; those who ship and receive cargo and small packages; consumers of general aviation services, including private pilots and aircraft owners; and on-premises aviation-dependent businesses. It is the philosophy of both Ports that significant emphasis is to be placed upon treating *all* airport users as valued customers. The Ports are willing to provide reasonable financial operating subsidies to the airport if it is determined that such subsidies are needed to maintain desired service levels.

c. The Ports further recognize that the airport campus includes a substantial amount of land that does not appear to be needed at the present time for aviation specific uses. The Ports have agreed to participate in the Federal Aviation Administration (“FAA”) sponsored master planning process. They will use this process as the vehicle to determine and specifically designate the land that is needed for aviation dependent uses and that can be made available for non-aviation dependent business and industrial uses. The Ports also agree to periodically refine the definitions of aviation-dependent and non-aviation dependent uses to reflect contemporary market conditions.

d. The Ports have agreed that the Port of Douglas County is the appropriate agency to act as the developer and manager of all of the non-aviation dependent property. The Ports have also agreed that the Port of Chelan County is the appropriate agency to assume managerial oversight for the aviation aspects and uses of the airport.

e. The development of the lands not needed for aviation dependent uses is further intended to serve as a source of operating revenue for the airport, and in so doing defray, reduce, and minimize the dependence of the airport on local tax sources. The Ports recognize that heightened security requirements and fundamental changes in aviation economics may increase the need for local tax support for the airport.

f. The means used to govern the operation of the airport must recognize the dual ownership of the airport. It must also recognize the need to consider the requirements and views of the various customers of the airport, while operating the airport to benefit the citizens of Chelan and Douglas Counties.

g. The Ports, reflecting the views of their constituencies, equally value partnership and independence. The Ports wish to explore additional means of cooperation and the sharing of facilities, staff, and equipment with the intent of managing the overall operating costs and providing a more efficient level of service to the public. As a Ports-owned resource, the airport represents a vehicle for increasing inter-agency cooperation. The governance of the airport should enable, and not impair, an increased level of inter-agency cooperation.

h. The airport is an ESSENTIAL PUBLIC FACILITY. The Ports will take appropriate action, to the extent reasonable, to restrict the use of land adjacent to or in the immediate vicinity of the airport to activities and purposes compatible with normal airport operations, including landing and takeoff of aircraft.

i. The Ports have received substantial financial support from the FAA. The receipt of these funds requires the Ports to execute various agreements assuring the FAA that both Ports will comply with the FAA applicable regulations.

5. It is anticipated management personnel of Chelan will be spending time supervising or addressing the responsibilities of Chelan as Manager of the Aviation Use Property and Aeronautical uses at the Airport. At the time of the execution of this Agreement it is anticipated that Chelan will not apportion a share of the compensation of its management personnel as a cost allocated to the Airport, recognizing that management of Douglas will be spending time managing the Non-Aviation Use Property. However, Chelan and Douglas each reserve the right to readdress this issue, and should it appear that more than very modest amounts of management time are being expended on the management of the Aviation Use Property and the Airport, a reasonable apportionment of management compensation shall be made with an amount assigned to the Budget for the operation of the Aviation Use Property and the Aeronautical uses at the Airport. In the event of dispute as to the management compensation, the amount shall be determined by arbitration as set out herein.

6. It is anticipated management personnel of Douglas will be spending time supervising or addressing the responsibilities of Douglas as Manager of the Non-Aviation Use Property at the Airport. At the time of the execution of this Agreement it is anticipated that Douglas will not apportion a share of the compensation of its management personnel as a cost allocated to the Airport, recognizing that management of Chelan will be spending time managing the Aviation Use Property. However, Douglas and Chelan each reserve the right to readdress this issue, and should it appear that more than very modest amounts of management time are being expended on the management of the Non-Aviation Use Property for the Airport, a reasonable apportionment of management compensation shall be made with an amount assigned to the Budget for the operation of the Non-Aviation Use Property at the Airport. In the event of dispute as to the management compensation, the amount shall be determined by arbitration as set out herein.

7 Both Ports desire by this Replaced and Restated Operating Agreement to assume greater responsibility and accountability to the citizens of Chelan and Douglas County for the operation and management of the Airport and to be directly responsible for setting policy for Pangborn Memorial Airport and directing its management.

In furtherance of and reliance upon the foregoing Recitals, which are incorporated as part of this Agreement, the Ports agree to the terms of this Agreement, as set out herein.