



## ***Airport Business Solutions***

*"Valuation and Consulting Services to the Aviation Industry"*

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April 28, 2020

Mr. Matt Meyer  
County Executive  
New Castle County, Delaware  
87 Reads Way  
New Castle, Delaware 19720

RE: Supplemental Information & Rebuttal  
DRBA Letter to New Castle County Council  
Wilmington/New Castle County Airport Management  
New Castle County, Delaware

Dear Mr. Meyer:

We have reviewed the April 23, 2020 letter from Thomas Cook, Executive Director of the DRBA, that was sent to each Councilmember of New Castle County regarding DRBA's assessment of and rebuttal to the previously submitted White Paper to the Airport Task Force. Based upon the "DRBA Airport Lease Fact Sheet" provided by Mr. Cook, we offer the following comments as they relate to our White Paper.

### *Historical Decisions*

In our White Paper on page 11, we stated "*while the transfer of the management of the Airport under the terms and conditions set forth in the current agreements may have been appropriate and viable at that time, the current state of the Airport, and aviation industry in general, indicates that this may not be the case today. Moreover, while the County should recognize the good things that the DRBA has done for the Airport in getting it to where it is today, the County must also evaluate whether the DRBA is the right entity to guide the Airport going forward and, even if so, whether DRBA's management of the Airport should be under similar or different terms and conditions.*" Clearly, we reflected that while the lease of the Airport to the DRBA might have been the appropriate decision 25 years ago, the question facing the County is whether the DRBA and/or the terms and conditions of the existing agreements, are the most relevant and appropriate given prospective market conditions in 2025 and for the subsequent 30 years.

### *Financial Considerations*

As demonstrated on Exhibit C attached to the letter, the debt service associated with the lease of the Airport to the DRBA was satisfied in 2002 and is now irrelevant. For the past 18 years, the County has not received even the \$1.00 per year rent from the DRBA.

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### *Airport Sponsorship*

Regarding the recognition of the DRBA as sole sponsor of the Airport, the position stated by the DRBA may be correct. However, from our discussions with the FAA Airport District Office regarding the Airport, they had no record of this transfer of sponsorship. Their records showed a grant in 1997 that was co-sponsored by the County and DRBA, but no record of any transfer of full sponsorship.

### *Information Requests*

The information request submitted by the consultants through County Counsel was not fully addressed by the DRBA in any responses to the County. In fact, the DRBA directly declined to provide several pieces of information such as copies of leases indicating that they were confidential. (See attached) As the owner of the Airport, the County should have full and complete access to such information. Moreover, much of the information provided conflicted with other documentation provided by the DRBA.

### *DRBA Investments and FAA Grant Funding*

Regarding FAA grants conflicting with total stated investment by the DRBA, on page 8 of the White Paper, we clearly state the difference between the total stated investment by the DRBA versus the portion stated to have been paid by the FAA and/or DelDOT. The statement relating to conflicts in stated investment amounts relates to inconsistent records of the total investment on various projects, as well as inconsistent statements of the FAA grants associated with certain projects. Most significant, most of the statements of FAA grant funding offered by the DRBA were inconsistent with records obtained from the FAA.

Further, with regard to capital investments by the DRBA, many of the questions relate to the necessity and validity of numerous investments stated by the DRBA, to include continuous acquisition of duplicative equipment and the completion of grant-eligible capital projects without waiting or applying for grant funding.

### *Tenant Improvements*

Regarding capital investment by tenants, the statement in the White Paper on page 8 reflected comments from several airport tenants, not a personal opinion.

### *Payroll and Benefits*

Regarding the payroll and benefits issue, our statement on page 7 of the White Paper was: *"Based upon the total number of employees, as well as the number attributable to maintenance and operations (lower wages than management), payroll expenses are somewhat high for an airport of the Airport's size and activity type. However, the most significant concern relates to the expenses associated with benefits. Although the DRBA did not provide information as to what they include in their benefits allocation, the category generally encompasses expenses such as payroll taxes, workers compensation,*

*health insurance, retirement plans, etc., and would be expected to run between 30 and 40 percent to total wages.”* Our assertion was that the allocations were inconsistent with other airports, not that they were “fishy”.

#### *Comparison Airports*

Regarding the four airports offered for comparison of wage rate information, we are unsure why the DRBA would select these airports. Moreover, some of the information appears to be incorrect based upon our review of published annual budgets and actual revenues/expenses. Regardless, the exhibit attached provides an assessment of these four airports, as well as others that would be considered by *Airport Business Solutions* to be more relevant for comparison. The significance of the information is that the wage figures provided by the DRBA do not match the information that we obtained directly from published budgets for each airport. Moreover, this additional information further supports our position that benefits typically range from 30 to 40% for most airports, while those for the New Castle County Airport are 93.6%.

#### *Capital Investment vs. Net Income*

With regard to the average annual capital investment compared to the average annual net income, the concerns stated in the White Paper related primarily to the appropriateness of the allocation of certain items as capital expenses instead of repairs and maintenance, the recurring acquisition of duplicative equipment, the excessive amount of equipment allocated to the Airport, the completion of capital projects without the benefit of FAA grant funding, and the uncertainty of the necessity of certain projects, at least as it relates to timing.

#### *Based Aircraft*

With regard to the number and quality of aircraft based at the Airport, there is no question that the Airport is the home base of choice for many turbine aircraft owners and operators. However, this is considered to be predominately be related to the tax benefits of basing an aircraft in Delaware. This tax benefit is widely known and exploited in the aviation industry and has been for many years.

#### *Available Grant Funding*

The CARES Act grant that was awarded to the Airport is eligible to be used for any aeronautical purpose, to include operational or capital expenses, as long as the use of the funds remains dedicated to the New Castle County Airport.

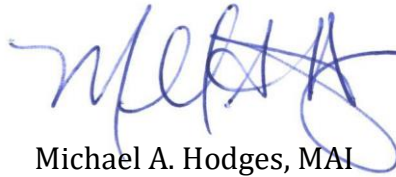
As stated in the White Paper, based upon available information, the continuance of the management and operation of the Airport under the status quo is not fiscally responsible or in the best interest of the community. This is not to say that the DRBA is not doing a viable job managing and operating the Airport, but rather that the current agreements are both poorly written and very one-sided in favor of the DRBA. In our opinion, the County needs to develop and negotiate an agreement that clearly sets forth the requirements and expectations of both parties to the agreement,

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to include full disclosure and a cooperative relationship between the County and manager/developer partner.

We appreciate the opportunity submit this rebuttal letter to provide some additional information and clarification to the DRBA's assertions. If you should have further questions, please do not hesitate to contact me.

Respectfully Submitted,



Michael A. Hodges, MAI  
President/CEO

***Airport Business Solutions***

## SUMMARY OF RELEVANT AIRPORT WAGE AND BENEFITS INFORMATION (2018)

Airport	Annual Payroll	Number of FTE	Annual Wages/FTE	Annual Benefits	% of Benefits to Wages	Total Airport Revenue	Total Based Aircraft	Total Based Jets
New Castle County (Wilmington, DE)	\$1,483,848	24	\$61,827	\$1,389,465	93.6%	\$6,219,660	288	68
Lakeland Linder Int'l (Lakeland, FL)	\$1,009,341	19	\$53,123	\$326,318	32.3%	\$7,845,466	246	71
Scholes Int'l (Galveston, TX)	\$318,742	8	\$38,843	\$125,332	39.3%	\$1,798,288	124	6
Francis S. Gabreski (Westhampton Beach, NY)	\$409,858	7	\$58,551	NA	NA	\$3,436,569	86	10
Treasure Coast Int'l (Fort Pierce, FL)	\$462,849	8	\$54,790	\$173,315	37.5%	\$4,381,631	207	7
Centennial* (Denver, CO)	\$1,916,749	22	\$87,125	\$599,644	31.3%	\$7,266,402	875	150
DeKalb Peachtree (Atlanta, GA)	\$1,120,199	23	\$48,700	\$515,086	31.5%	\$5,982,153	298	38
Chicago Executive (Wheeling, IL)	\$942,568	15	\$62,838	\$363,583	38.6%	\$4,409,164	216	68

\*Note: Payroll at Centennial Airport is higher based upon tenure of employees. According to the Airport Director, the top 7 airport employees have been there a combined total of 183 years with the average being 26 years, plus the Airport Director at 20 years. In addition, the Airport generates almost 340,000 operations per year, compared to +/-48,000 at New Castle County.