

Memorandum

To: Cottonwood City Manager, Doug Bartosh; Cottonwood City Clerk, Marianne Jiménez,

CC: File

From: Bob Oliphant, Volunteer¹

Date: 5/7/2008

Re: Cottonwood Airpark; Memo #3, Leases, FBO, Budgets, Income and Observations

This is the last of three memoranda on the Cottonwood Airpark. The three provide information regarding the history and development of the Airpark with each memo focusing on a different aspect of its development.

I would be pleased to review any of the three memos and exhibits with you at your pleasure. If you have questions that you believe should be further researched, please let me know and I will do further research to see if an answer can be found.

I have tried to include exhibits that support assertions made in each of the memos. The exhibits should also provide information that others may use to determine the efficacy of the observations set forth in each of the three memos.

Please note section 7, which involves technical compliance with the National Environmental Policy Act (NEPA) of 1969 and section 22, which restates a portion of the Airport Master Plan that requires periodic review of service rates and charges.

Upon request, I can furnish electronic copies of all three memos.

¹ Robert Oliphant is a volunteer for the City of Cottonwood. No part of this memorandum should be constructed as containing legal advice of any kind. All legal issues and any legal questions must be asked of the City Attorney.

1. Cottonwood Airport



Cottonwood Municipal Airport (P52) is located approximately two miles west of State Highway (SR) 260 and one-quarter mile southwest of SR89A, at 1001 West Mingus Avenue in the city of Cottonwood, Arizona. The Airport is situated on 210 acres at an elevation of 3,550 feet MSL.

2. Memo #1 Focus and purpose.

This is the last of three memos dealing with transactions relating to Cottonwood Airpark. In memo #1, an effort was made to trace the development of the umbrella corporation, Cottonwood Airport, Inc., from 1983 to present. The tracing revealed that as of January, 2007, the umbrella corporation – the original partner with the City of Cottonwood, was terminated. As a consequence, there is no longer a general overall development partner as was intended in 1983. To the extent that the purpose for creating an Airpark continues, the purpose is now incorporated either by direct or indirect reference in a variety of ground sub leases.

3. Memo #2 Focus and purpose.

In memo #2, the purpose was to reveal the relationships that developed between the various corporations and partnerships that were created by the parties who set up the original the umbrella corporation and the various sub lessees. The emphasis in that memo was on the sub lessees.

One concern that arises after reviewing the various sub leases is the nature and extent that sub lessees inherited the policies outlined in the 1983 Master lease—essentially the same concern evinced in Memo #1. The City of Cottonwood may claim that every sub lessee inherited all of the rights associated with the 1983 Master lease and all of the public service objectives, i.e., fostering increased employment and tax base. It can be anticipated, however, that some sub lessees may claim that the only provision inherited from the 1983 Master Lease is the minimal Airpark annual ground lease fee.

4. Memo #3 Focus and purpose.

The focus and purpose of this memo is twofold: first, to provide an overall summary of the development of the Airpark. Second, to focus on the operation of the airport proper. The paragraphs that immediately follow, for example, summarize the handling of ground leases

throughout the Airpark. Later, however, the memo considers ground leases and other financial issues involved in the airport proper.

5. 2005 ground lease transfer difficult to understand.

The 2005 transfer of the 64 acres on the west side of the Airpark to three corporations, with each corporation represented by the same local agent land speculator, is difficult to understand. The transfer appears contrary to the expressed purpose of the creation of the Airpark, as evinced by the 1983 Master lease.

6. 2005 Transfer ground lease contrary to intent of 1983 Lease.

In addition to the City Council action in 2005 allowing the transfer of ground leases for the west 64 acres of the Airpark to three corporations, the approval in 2007 by the Planning and Zoning Commission for a large portion of the 64 acres to be used as a rock processing facility employing possibly three persons likewise appears contrary to the specific reason the Airpark was created. This type of operation is hardly the kind of business/industrial facility envisioned in 1983 that would result in increased employment and tax base for Cottonwood citizens. Moreover, the agent representing the three corporations stated to the Cottonwood City Council in 2005, when permission for transferring the ground leases was sought, that one parcel of land would be used for "affordable housing." This assertion (or vision) is completely inconsistent with the creation of a commercial/industrial Airpark on this property.²

7. Subsequent construction of buildings on 64 acres transferred in 2005 appears contrary to intent of 1983 Lease agreement.

The construction of large individual storage units on the 64 acre property on the west section of the Airpark³ appears contrary to the specific intent of the development of the original 1983 Master agreement between the City of Cottonwood and Cottonwood Airpark, Inc. It is doubtful that this facility will employ more than one or two persons and it is not clear how the facility will increase the City's tax base significantly or provide the kind of employment opportunities envisioned by the 1983 Master lease.

8. A technical issue regarding compliance with the National Environmental Policy Act (NEPA) of 1969

The question of when and how Cottonwood must comply with the National Environmental Policy Act (NEPA), was raised in the 2006 updated Cottonwood Airport Master plan. The plan states as follows:

All the improvements planned for Cottonwood Municipal Airport, as depicted on the Airport Layout Plan (ALP), will require compliance with the National Environmental Policy Act (NEPA) of 1969, as amended. Many of the improvements will be categorically excluded and will not require full

² Please see Memo #2 for the complete discussion of this transfer along with a copy of relevant Cottonwood City Council minutes related to it.

³ See Exhibit #12, which contains photos of the storage units constructed on the 64 acres.

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NEPA documentation. FAA will determine if projects such as the upgrade to B-II standards or the acquisition of property require full documentation. As detailed in FAA Order 5050.4A, Airport Environmental Handbook, compliance with NEPA is generally satisfied with the preparation of an Environmental Assessment (EA). In cases where a categorical exclusion is issued, environmental issues such as wetlands, threatened or endangered species, and cultural resources are further evaluated during the federal, state, and/or local permitting processes.⁴

This section of the Master Plan is not intended to satisfy NEPA requirements; rather, it is intended only to supply a preliminary review of environmental issues that would need to be analyzed in more detail within these or permitting processes. Consequently, this analysis does not address mitigation or the resolution of environmental issues. The following pages consider the environmental resources as outlined in FAA Order 5050.4A.

Exhibit #18 contains detailed information regarding an Airpark Environmental Resources review. It states that the airport must comply with current Arizona Pollutant Discharge Elimination System Permits (APDES). With regard to construction activities, it states that contractors will need to obtain and comply with the requirements and procedures of the construction-related APDES General Permit, including the preparation of a Notice of Intent and Storm water Pollution Prevention Plan, prior to the initiation of construction activities. Other requirements such as determining the potential, if any, impact to protected species is a part of the Environmental Review.

An issue that remains unclear is whether the NEPA requirements are limited to the airport proper or apply to the entire Airpark. For example, in the transfer of the ground lease of the west 64 acres, it is certain that no effort made to determine whether the plans outlined by the corporate agent would affect any threatened species of plants or animals.⁵

⁴ Quoted from the updated 2006 Airport General Plan, Section 5, p. 7.

⁵ See minutes of Planning and Zoning meeting contained in Memo #2.

9. Future location of manufacturing businesses and increased employment opportunities for Cottonwood residents appears thwarted by 2005 transfer.

Overall, the 2005 transfer of the west 64 acres of the Airpark to three corporations with plans to employ less than a handful of citizens appears devastating to the City's future industrial/commercial development.⁶ The reason for this is that the City no longer has control over inexpensive land on which a major industry, such as a solar manufacturing company, can locate with minimal investment in land. The main purpose of the 1983 Airpark was to have affordable land available should major new businesses with substantial employment opportunities decide to locate here.

10. Recent changes in Master Plan indicate abandonment of westward expansion of Airport .

Changes in the most recent updated Airport Master Plan suggest that realistically the City at some point between 1993 and 2006 abandoned serious future expansion of the Airport onto the western 64 acre parcel of the Airpark. For example, in the most recent updated Airport General plan submitted to the FAA,⁷ a T-hangar area is planned to the south of the aircraft ramp with up to four eight-unit T-hangars. One of the only features suggesting a westward expansion in the 2006 plan is a taxiway connector running from the parallel taxiway to the airport property west of the T-hangars that would allow access to the industrial airpark "planned for the area."⁸ Now that the City has lost control of the 64 acres, it is highly unlikely that the planned taxiway will be constructed in the next 75 years.

As already observed, the 2006 update to the Airport Master Plan differs markedly from the 1993 Master Airport plan in its expectation of westward expansion of the airport.⁹ Also, there are drafts beginning around 1989 on file with the City that show the possibility of future development of the west section of the Airpark. Those early plans show the entire west 64 acres platted and incorporate a significant portion of the 64 acres into the airport proper.¹⁰ Also as already noted, the 2006 updated plan, at best, suggests limited westward expansion, which is now virtually impossible.¹¹

⁶ This observation is, of course, my own. It is based on my reading of the original 1983 Master lease.

⁷ December 19, 2006 letter, Airport Master Plan Update Study and Airport Layout Plan, Final approval, from USDOT, FAA, to Mr. Tim Costello. See Appendix "D" to most recent Airport General Plan.

⁸ Updated Airport Master Plan 2006, p. Section 5, p. 4.

⁹ Compare Exhibits #1 and #2 with Exhibit #9. Exhibit #9, shows most recent possible future expansion of airport.

¹⁰ Draft sketches from 1989 on file with the City of Cottonwood showing potential platting and development of the west section of property.

¹¹ Note that the PDF file showing alternatives that is contained in the 2006 update could not be opened on the City Website because it is corrupted (viewed 4/29/08).

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A review of the minutes of the City Council from 1983 to 2008 fail to indicate that the City Council discussed in-depth the somewhat dramatic alternations in the 1993 Master plan in terms of utilization of the west 64 acre parcel of land.¹²

11. Query in re whether the City Council has properly affirmed latest updated Airport plans.

The City began creation of an Airport Master Plan in March of 1984.¹³ The Master Plan was discussed in November 1991, and adopted in July 1993.¹⁴ On April 3, 2001 the Council adopted a resolution updating the Master Airport plan¹⁵ and further updated it June 5, 2001.¹⁶ The Airport Master Plan was discussed September 24, 2002. On June 8, 2004, the Council was presented with an "Airport Master Plan Draft."¹⁷ However, the records do not indicate that the draft was subsequently discussed and approved by the Council or that further discussion regarding it occurred. Discussion may, of course, have occurred and either I missed the entry in the Clerk's Index or it was not, for some reason, recorded.¹⁸

12. Only three investors /speculators were primarily involved in development of Airpark over last 24 years.

From 1983 until 2007 the various real estate documents and minutes from City Council meetings strongly suggest that there were primarily three land investors/speculators involved in the Airpark during this period. They are: Jack Seitz, who died in 2006; The Mongini family and in particular Mike Mongini who acted as agent for the three corporations that obtained the 64 acres in 2005; and Jim Backus and the Backus Family Investments, who came on the scene in 2003.

13. Investor/Speculator Focus on East side of Airpark; CAP divesting itself of other responsibilities.

When assessing the outcomes of the Airpark effort, it appears that Jack Seitz and his partners focused most of their development energy on the property along the East side of the Airpark, which runs adjacent to Airport Road. It also appears that once they had total control of the Airpark, they slowly divested their corporations and limited liability partnerships of any responsibility for the FBO, the maintenance hangar, and T-shades-- eventually selling the hangar and T-shades to the City.¹⁹ They also divested themselves of

¹² There may, of course, have been discussion at work sessions of the Council. However, minutes of the work sessions are not kept so it is impossible to know the nature and extent of the issue of Council discussion in re westward expansion of the airport.

¹³ Exhibit #8, p.1.

¹⁴ Exhibit #8, p. 2.

¹⁵ Exhibit #8, p. 4.

¹⁶ Exhibit #8, p. 4.

¹⁷ Exhibit #8, p. 3.

¹⁸ Exhibit #8 -- Clerk's Index containing all references found on computer to "Airport."

¹⁹ Please see Memo #2 for the complete discussion of the sale of the hangar to the City, the T-shades, and the payment to Seitz's corporation of approximately \$125,000 for these

any Airpark land they deemed unproductive, usually returning total control of the land to the City for a fee.²⁰

14. Jack Seitz develops personal businesses on Airport Drive.

The late Jack Seitz, through his various partnerships and corporations, invested in three large lots on the East side of the Airpark. The three lots, 101, 102, and 103,²¹ all border Airport Drive. Presently, Lot 1, now owned by the estate of Jack Seitz, is listed for sale at \$1,500,000. It is advertised as buildings occupying 2.25 acres of real estate. The realtor states that there is a 70-year ground rent lease with an annual payment of only \$1051.42.²²

Another Seitz estate property currently for sale is also located on Airport Drive (unsure whether this is lot 2 or 3) and is currently listed with an asking price of \$1,400,000 with 76 years remaining on the ground lease.²³

15. City Council seldom questioned ground lease transfers; seldom, if ever, questioned in depth whether employment and tax policy established in 1983 Master Lease was being "best served" by the transfer.

After reviewing the minutes of City Council meetings from 1983 to present, it appears that the City Council has on only one or two occasions questioned whether a ground lease transfer at the Airpark was carrying out the original intent of the 1983 Master lease in terms of employment and increased tax base. The issue of whether a new developer should have been obtained for continuing the development of the Airpark, when the original developer fell behind on the schedule contained in the lease, or was unable to find companies to locate in Cottonwood, was apparently never seriously raised.

For the record, during one period of time covered by this memo, the wife of Jack Seitz, Shirley Seitz, was a member of the Cottonwood City Council and the nature and extent of her influence on Airpark development issues is unknown.

There may, of course, be many reasons for what to some may appear as an absence of oversight by the City Council: The Council may have too heavily relied on the City manager; The Council may have been ignorant of the intent and purpose of the Airpark concept; Council members may have found the arrangement too complex to ask intelligent questions; Some Council members may have been too familiar with the local land developer/speculators involved in the Airpark to seriously question their conduct; or local

facilities. At the Council meeting of August 1, 2000, there is a statement that the T-shade hangars were to be purchased by City for \$55,710.

²⁰ Please see Memo #2 for the complete discussion of the return, for example, of 30 acres and the payment by the City.

²¹ On July 1, 1998 Cottonwood Airpark, L.C. made an assignment to S&S Verde Properties, L.L.P., a limited partnership owned by Jack and Shirley Seitz. This involved Lots 101 and 102, except the south 32.198 feet of lot 102. On August 1, 2001, Cottonwood Airpark L.C. made an assignment to S&S Verde Properties, L.L.P., a limited partnership owned by Jack and Shirley Seitz, Lot 103 and the south 23.98 feet of lot 102

²² Exhibits #3A and #3-B..

²³ Exhibits #4-A and #4-B.

market conditions may have been so poor that they never stimulated serious inquiry by the Council about the Airpark development.

16. Ground leases for future hangars discussed in 1994.

The idea of ground leases for hangars on the airport was discussed in 1994 by the City Council.²⁴ The City Manager took the position that individuals should be allowed to construct hangars and have them revert to the City in twenty-five years. The Council agreed with the City Manager's recommendation and adopted that policy.²⁵

17. The previous City Manager, Brian Mickelsen, appeared to stand against extensions and options.

The theory of providing extensions or options to extend ground leases on hangars, once they were built by private individuals, appears to have been rejected by the City Manager, Brian Mickelsen.²⁶ Although the question of a 15-year option was not raised with Brian, on at least two occasions hangar owners had attempted to obtain an extension of a ground lease with the City. For example, in 1999, when the City was laying a water line across property with a ground lease held by the Aircraft Owners Association, the Association sought an extension on its ground lease. It wanted at least three years—but settled for a one-year extension. A reading of the Clerk's minutes of that day suggest Brian was far from enamored with requests to break the 25-year lease policy earlier adopted by the Council. (Note there is discussion at the December 21, 1999 Council meeting to the effect that the FAA restricts ground leases to 25 years.) Brian's view on not allowing extensions also can be seen from the Clerk's minutes of the September 18, 2001 Council meeting. Brian once again appeared to emphasize that ground leases associated with building hangars on the Airport were limited to 25 years.

18. Approximately six weeks following Mr. Mickelsen's death, hangar owners seek 15-year option.

Approximately six weeks after the unexpected death of City Manager Brian Mickelsen,²⁷ the owners of hangars with 25-year ground leases saw the opportunity to persuade the Council to grant them a 15-year renewal option on their leases.²⁸ They initially approached the Acting City Manger with a proposal to revise existing ground leases to insert a 15-year renewal option. The Acting City Manager sought legal advice and on November 16, 2007, she was advised that the City was not under a legal obligation to grant the option request.²⁹

²⁴ City Council meeting minutes, November 1, 1994.

²⁵ This policy was abandoned by the City Council in 2008 following Mr. Mickelsen's death.

²⁶ City Council meeting minutes, August 18, 1998. The Airport Hangar Association had sought the extension or option.

²⁷ Mr. Mickelsen died in late August 2007.

²⁸ My characterization. This was surmised by me based on reading earlier Council minutes where Mickelsen appeared very set against granting extensions of any kind to the hangar owners.

²⁹ See Exhibit #6.

The reason for seeking the renewal option is clear; the option may make the property more saleable because the City is required to sit down and renegotiate a ground lease with a hangar owner when the original twenty-five years terminate. On January 15, 2008, Lawrence J. Minch, a member of the Cottonwood Airport Commission who had filed a petition to grant him a 15-year ground lease option, appeared before the Council. He argued that it was unfair to give Larry Green a 15-year option on his 25-year lease and not him.³⁰ The term of the Minch lease was through May 20, 2029, at which time the City would receive the constructed hangar as its property. Although advised by the City Attorney both orally and in writing that it had no legal duty to provide the 15-year option, the Council unanimously agreed to the option request. A suggestion from the public that the contract should have added to its third paragraph the wording "at the sole discretion of the City of Cottonwood" to clarify its intent was rejected by the Council.³¹ (Note the letter from the City Attorney, which each member of the Council had at the time of the decision, stated that the Council was not under a legal obligation to grant the option.³²)

19. Another option approved.

On February 5, 2005, the Cottonwood Airport Hangar Association appeared before the Council asking for a 15-year option on its existing ground lease.³³ One member of the City Council suggested that all hangar ground leases should be given a 15-year option, implying that the Council should no longer be bothered by the City manager with such requests.³⁴

Note that the lease terms for the Hangar Association are not identical to those for Minch, Green and others. For example, the Hangar Association lease, according to Association members, does not contain an escalator provision. By this I mean that there is a set annual payment for a T-Hangar and it does not change over the 25 years of the lease.

20. FBO operator experiencing financial difficulty.

Aerobear Aviation is the current fixed base operator at Cottonwood Airport. It has two separate agreements with the City of Cottonwood.³⁵ One is for airport operations and the other for hangar leases.³⁶ The fixed base operator is independent of City staff and manages daily duties at the airport such as opening and closing the terminal, fueling and collecting tie downs.

At some point in the past year or so, Aerobear fell behind in its lease payments to the City of Cottonwood by several thousands of dollars. According to one anonymous source, the

³⁰ An interesting side note is how Minch learned of Larry Green's lease. It is not filed with the County.

³¹ City Council meeting minutes, January 15, 2008; See Exhibit #17.

³² See Exhibit #5, in which the City Attorney again advises the Council that it has no legal duty to grant an option. Also see Exhibit #6, letter by City Attorney to Acting City Manager dated November 16, 2007.

³³ City Council meeting minutes, February 5, 2008.

³⁴ Council member Mr. Kirby made this assertion during the Council meeting.

³⁵ See Exhibit #16, which is discussion in re the two agreements.

³⁶ City Council meeting minutes, December 18, 2007.

financial situation of Aerobear may have been the reason for a shortage of available fuel on the field for aircraft. It was surmised that Aerobear's difficult financial situation caused it to order only 1,000 gallons of fuel at a time rather than 10,000 gallons that would have completely filled the on-field tank.

At a June 19, 2007 Council session, it was learned that the former City Manager had taken it upon himself to have the City step in and purchase fuel for the fuel tank – thus relieving Aerobear of its responsibilities in this matter.³⁷

Financial problems continued to plague Aerobear and its lease arrangement with the City was modified in December 2007, when a one-year contract was executed. Council believed that this amended agreement represented the best possibility for the City to recover and receive the money Aerobear had failed to turn over to the City.³⁸ City Finance Director, Mr. Rodriguez, explained to the Council that financial aspects of the agreement are being monitored very closely and that the City has a mechanism to ensure it receives the sums it is due for tie downs and fuel, not only for current sums due but to repay amounts owed as well.³⁹

One anonymous source stated that the remedy for recovering several thousands of dollars owed by Aerobear to the City was to put a .25 cent surtax on each gallon of aviation fuel (in addition to the .50 surtax that goes to the City). I was not able to verify this information.

21. Fixed card fuel system put in place

According to minutes from the June 19, 2007 City Council meeting, the Council had been considering changing the operations agreement at the airport for some time. Part of the change involved implementing a fuel card system and for the City to take over the fueling operation. The airport operator would still be involved but in a very changed capacity. The card system was placed into effect 7/1/07.

22. Covered tie down and hangar waiting lists.

As of January 2008, the covered tie-down wait list had 14 names on the list. Of the 14 names, 9 are common with the hangar list. The hangar wait list has 18 names, 9 are common with the covered tie-down list. New applications for both wait lists are still being taken.⁴⁰

23. Master Airport Plan requires periodic review of service rates and charges

The 2006 updated Airport Master Plan makes it clear that the kind of non-review of services and rates that has occurred over the past several years must not continue. Here is the language from the Master Plan:

To ensure that the airport maximizes revenue potential in the future, the City of Cottonwood should also periodically review aviation services rates and charges (i.e., fuel flowage fees, hangar

³⁷ See Exhibit #15.

³⁸ See Exhibit #16, City Council meeting minutes.

³⁹ City Council Meeting Minutes, December 18, 2007.

⁴⁰ Airport Commission minutes of January 7, 2008, p.2.

and tiedown rental) at other regional airports to ensure that rates and charges at the airport are competitive and similar to aviation services at other airports. Additionally, all new leases at the airport should have inflation clauses allowing for periodic rate increases in-line with inflationary factors. While it is desirable for the airport to directly pay for itself, the indirect and intangible benefits of the airport to the community's economy and growth must be considered in implementing future capital improvements.⁴¹

24. Tie down rates haven't changed in more than 20 years; below rates at other airports in Northern Arizona.

The Cottonwood Airport Commission reported in January, 2008 that there appears to have never been an increase in the tiedown fees at the Cottonwood airport. Using a calculator on the US Dept. of Labor website, the Chairman of the Airport Commission has calculated the amount of fee increase needed to stay even with inflation. "By entering the monthly tiedown fee of \$27.00 into the year 1987, the website calculates the inflation-adjusted monthly fee in 2007 as \$49.95. Using the covered tie-down fee of \$67.00, the 2007 inflation-adjusted fee calculates to \$123.96 per month."⁴² The Chairman stated that when Cottonwood's tiedown rates were compared to airport tie-down rents in Northern Arizona, they were below market rate for similar airports in the area. At its January meeting, the Commission voted to increase tiedown rates.⁴³

25. City gets portion of tiedown payments; FBO gets most.

At the February 2008 meeting of the Airport Commission, the Chairman explained that the contract with the Cottonwood FBO "states that the FBO will receive \$25 per rented space for both the covered and uncovered tie-down spaces. He stated the \$25 rate would remain the same after the tie-down rental rates are raised because the FBO contract is not being revised."⁴⁴ The Chairman reported on comparison rates with other airports. He stated that generally a covered tie-down rate is about one-third to one-half of a hangar rental rate. He stated that the Cottonwood Airport hangar rental agreements have an escalation clause raising the rents about 7 percent per year. He noted the Cottonwood tie-down rental agreements have no escalation clause.⁴⁵

⁴¹ Airport Master Plan, 2006, p. Section 6, pages 9, 10.

⁴² Airport Commission minutes of January 7, 2008, p. 5.

⁴³ Airport Commission minutes of January 7, 2008.

⁴⁴ Airport Commission minutes, February 4, 2008, p.3.

⁴⁵ Airport Commission minutes, February 4, 2008, p.3.

26. Airport Commission votes to increase tiedown rates.

At its February 2008 meeting, the Airport Commission, by a majority vote, determined that the tie-down rental rate should be increased \$10.00 above the existing base rate of \$25.00 a month for a total fee of \$35.00 plus tax. The Airport Commission also voted (majority) to raise the covered tie-down rental rate \$20.00 above the existing base rate of \$65.00 per month to a total fee of \$85.00 per month plus tax.⁴⁶

27. New tiedown rates effective April 1, 2008?

It was noted during the February 2008 Airport Commission meeting that rents are due quarterly and it was suggested that the Commission's recommendation to the City Council state the effective date of the new tie-down rental rate to be April 1, 2008, which is the start of the second quarter.

28. Annual estimated Airpark revenue.

The following is an outline of the sources of revenue from the Airpark. The City Finance Office should be able to provide a reasonably accurate estimate of revenue from these sources⁴⁷ and make any corrections to the outline.

Ground lease income from lots 101 through 135 (are all lots now treated improved?): _____

Ground lease income from West 64 acres (Is the entire 64 acres now treated as improved?): _____

Revenue to Aerobear at \$ _____⁴⁸ per day from 68 open Apron Tiedowns: _____

Revenue to City of Cottonwood at \$ _____ per month from 12 T-Shade hangar positions: _____

Revenue to City of Cottonwood at \$ _____ per month from 10 T-hangars built by City: _____

Revenue to City of Cottonwood at \$ _____ per month per 6 T-Hangars occupied by the Aircraft Owners Association and privately constructed.

Revenue to City at \$ _____ per month from 2,400 sq foot hangar owned by City and leased by City to Aerobear (FBO): _____

No Revenue is apparently received from use of the Terminal Building owned by City and leased to Aerobear (FBO) but I could be in error.

Revenue to City at \$ _____ per month from **Lawrence Minch**: (unknown how many planes he hangars): _____

⁴⁶ Airport Commission minutes, February 4, 2008, p. 3

⁴⁷ There is a nagging issue regarding the payments from the FBO to the City that fell behind. Did, for example, the FBO collect on tiedown rents and not turn them over to the City; or a portion over to the City?

⁴⁸ See Exhibits #10 and #11 for photos and list of aircraft storage hangars.

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Revenue to City at \$ _____ per month from **Don Thompson**: (unknown how many planes he hangars): _____

Revenue to City at \$ _____ per month from **Mark Milliar** (sp) (unknown how many planes he hangars): _____

Revenue at \$ _____ per month from Larry Green hangar #1: _____

Revenue at \$ _____ per month from Larry Green hangar #2: _____
(under construction)

Revenue at \$ _____ from sale of fuel to aircraft: _____

Revenue at \$ _____ from ground lease to parachute company located on the Airport.

Other Revenue: _____

Other Revenue: _____

29. Annual estimated Airpark expenses:

Operating Supplies (on the airport)—unclear what they are: _____

Contractual Services (on the airport)—unclear what they are: _____

Other Services and Charges (on the airport)—unclear what they are: _____

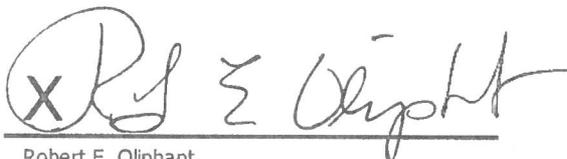
30. Airport 2007-08 Budget

Attached as Exhibits #13 and #14 for the reader's information are the following: Airport Fund Revenues/Expenditures for Fiscal Year 2007-08⁴⁹ and Capital Projects – Airport Improvement Fund Revenues/Expenditures.⁵⁰

31. Federal Airport Grant Standards

I have not explored the various FAA grants received by the City for Airport development to determine whether there may have been inadvertent misapplication of funds. Included as exhibit #18 is a PowerPoint presentation made by Mead-Hunt that provides an overview of Regulations Governing Airports in the US.⁵¹ It may be helpful when considering how FAA grants are utilized.

Respectfully submitted,

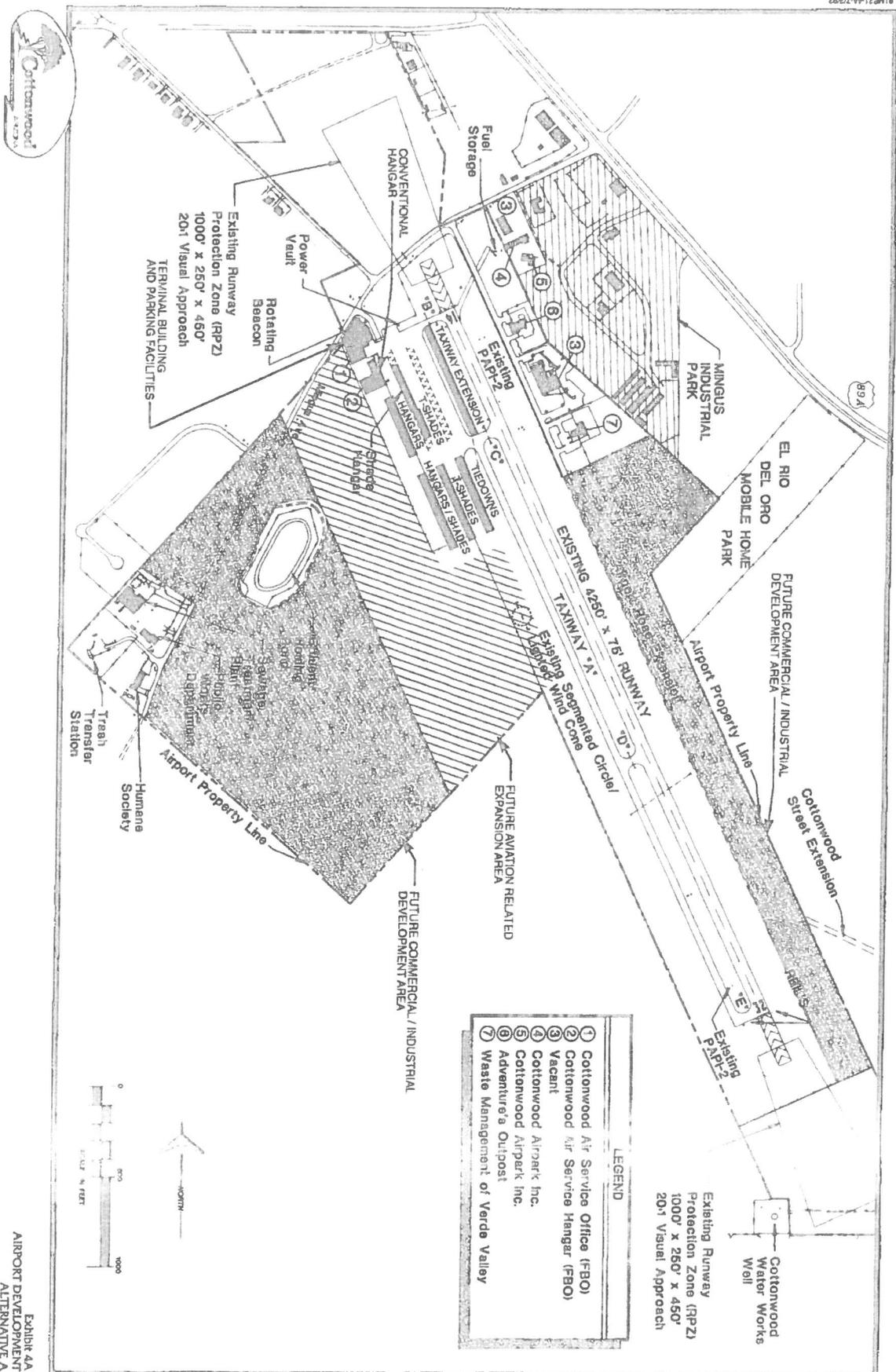


Robert E. Oliphant
City Volunteer

⁴⁹ See Exhibit #13.

⁵⁰ See Exhibit #14.

⁵¹ See Exhibit #19.



- LEGEND**
- ① Cottonwood Air Service Office (FBO)
 - ② Cottonwood Air Service Hangar (FBO)
 - ③ Vacant
 - ④ Cottonwood Airport, Inc.
 - ⑤ Cottonwood Airport, Inc.
 - ⑥ Adventure's Outpost
 - ⑦ Waste Management of Verde Valley

Existing Runway
Protection Zone (RPZ)
1000' x 250' x 450'
201' Visual Approach

Cottonwood
Water Works
Well

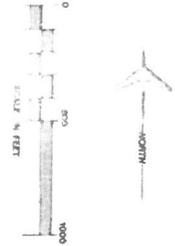


Exhibit 4A
AIRPORT DEVELOPMENT
ALTERNATIVE A

Exhibit #2

