

# OFFICE OF THE DUTCHESS COUNTY COMPTROLLER



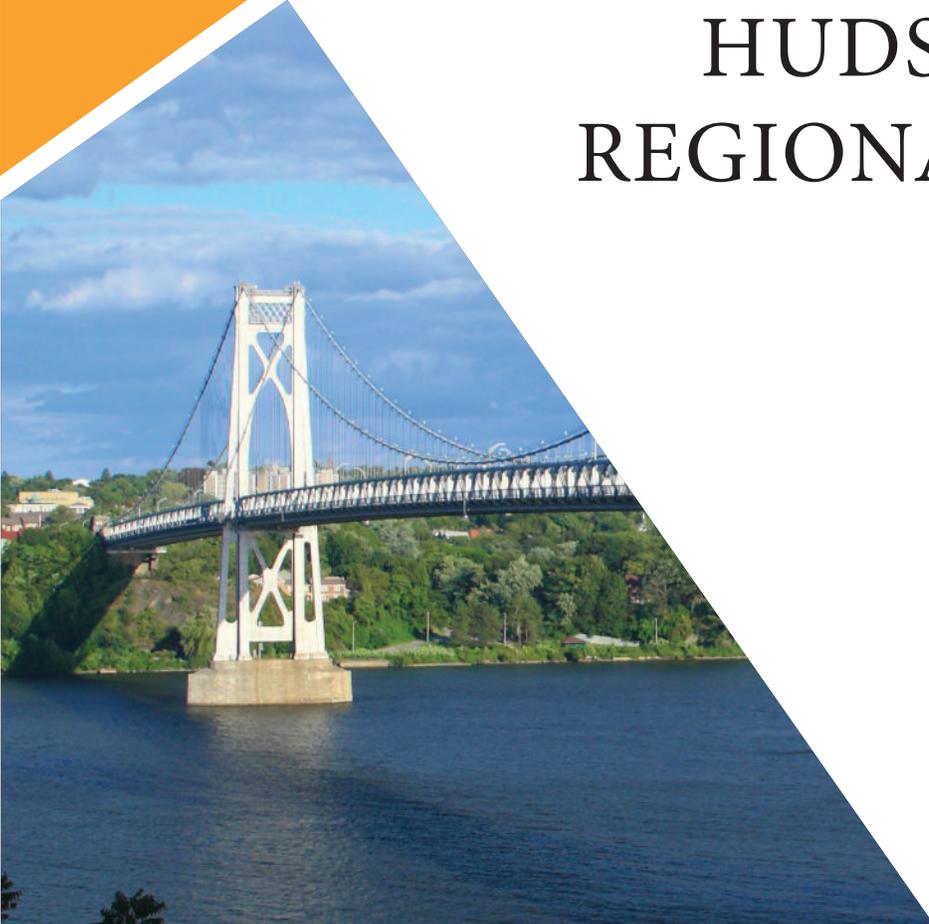
## AUDIT REPORT

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# HUDSON VALLEY REGIONAL AIRPORT

**ROBIN L. LOIS  
COMPTROLLER**

**MARCH 2019**



# Office of the Comptroller

## Dutchess County

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Dear County Officials & Taxpayers,

The Dutchess County Comptroller's Office has completed an audit report of the Hudson Valley Regional Airport for the period January 1, 2012 through December 31, 2018. Revenues, expenses and operations of the Airport were reviewed. The purpose of this audit was to report on and evaluate the progress and status of the Airport since the last review by this Office in 2012 as well as the report done in 2013 by Airport Management Consultants Steven Baldwin Associates, LLC. Both reports made recommendations thought to improve the operations of the Airport as an Enterprise Fund of the County.

The Airport has made progress over the last six years going from their highest net loss over the last seventeen years of \$631,591 in 2012 to a slight gain in 2017 of \$63,332 from operations. This is mostly due to a steady decrease in expenses over the years. The Airport operations will need to be focused on building their annual revenue to bring this enterprise fund to a more self-sustaining position. This, in turn, will decrease the need for taxpayer funded subsidies which have been required each year. Marketing their available lease space, diversifying their revenue streams and operating efficiently will all be key factors to success. We also detail recommendations and opportunities such as reinstating the Airport Advisory Committee to ensure further accountability and focus on goals set forth.

In this report we described progress made over the past several years, which include a rebranding of the Airport, contracting with a Fixed Based Operator (FBO), the approval of the Dutchess Community College Aviation Center, updating and extending the Central Dutchess Water Transmission Line to the Airport, terminal renovations, completion of major capital projects as well as approval of new capital projects including a solar array to help reduce energy costs. These accomplishments help to better position the Airport for success in the future.

Our Office also identifies areas of opportunity for the Airport to improve operations and efficiency. Major recommendations include completing an updated Master Plan and a Marketing Plan to better focus on goals and initiatives. In addition, we recommend specific tenant lease administration and compliance enforcement goals.

It was recommended by the County's outside auditing firm - and we reiterate here - that the Department of Finance and the Executive Branch monitor the operations of the Airport to determine if it should be a self-sustaining enterprise fund, or if it should be included in the general fund operations or operate as a special revenue fund.

We appreciate the cooperation and assistance the Department of Public Works provided during this audit process.

Respectfully submitted,



Robin L. Lois  
Dutchess County Comptroller

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## Background

The Hudson Valley Regional Airport (“HVRA” or “Airport”) is located in the Town of Wappinger seven miles south of the City of Poughkeepsie and provides corporate and general Airport transportation services. The Airport was deeded to Dutchess County (“DC” or “County”) in 1947 with the caveat to keep the field open to aviation. The County is responsible for developing, managing and maintaining the Airport in accordance with federal standards which are dictated and enforced by the Federal Aviation Administration (FAA).



*An aerial view of the Hudson Valley Regional Airport*

## Scope and Objective

The purpose of this audit is to examine the revenues, expenses, and operations of the Hudson Valley Regional Airport as an Enterprise fund of the County. In addition, we are reporting on the actions taken on the recommendations made in the 2012 DC Comptroller’s Office Report and the 2013 Report done by Airport Management Consultants, Steven Baldwin Associates, LLC.

In 2012, the Comptroller’s Office released a ten-year review special report, “Department of Public Works Division of Aviation” which included policies and procedures, resolutions, contract agreements, and a summation of Airport fiscal records. *The report was prepared at the request of the County Executive.*<sup>1</sup>

In 2013, a consultant was retained by Dutchess County to conduct an independent and objective assessment of the operational and financial conditions of the Dutchess County Airport. The report stated the intent of the assessment was to maximize the Airport’s efficiency and effectiveness while continuing to ensure the highest levels of safety and customer service.<sup>2</sup>

<sup>1</sup> Dutchess County Comptroller’s Office, Department of Public Works–Division of Aviation, Special Report, Ten-Year Summary with Additional Focus on FY2011

<sup>2</sup> Dutchess County Airport Operational and Financial Assessment, Steven Baldwin Associates, LLC, December 2013

## Methodology

The following documents were reviewed to assess the activities of the Airport from 2012 to 2018:

- 2012 Dutchess County Comptroller’s Special Report
- 2013 Dutchess County Airport Operational and Financial Assessment (Baldwin Associates)
- Annual financial reports
- Annual budget performance reports
- The 2004 Master Plan
- Department fiscal records
- Contracts and lease agreements
- Internal policies and procedures
- Selected transactions regarding Airport revenues and expenses

## Organization and Oversight

Oversight of the Airport operations is a key control over the daily activities of the Airport. Information regarding the organization and oversight was prepared with the assistance of the Airport and Dutchess County Department of Public Works administrative staff. The Department of Public Works (DPW) Commissioner is the overseer of the Aviation Division. In addition, oversight of the Airport Administration is provided by the Deputy Commissioner of Public Works. The Airport Director provides oversight of the day-to-day operations including general lease administration, ground maintenance, electrical system and navigational aid maintenance, snow removal, Airport rescue, and firefighting. In addition, fiscal records are overseen by the DPW Director of Budget and Finance. An Accounting Clerk provides day-to-day support at the Airport. Marketing of the Airport is predominantly handled by the Assistant County Executive for Economic Development. In addition to the above, there is an Airport Advisory Committee which is part of the Dutchess County Legislature’s body and organizational structure.

The Federal Aviation Administration (FAA) is a key partner in providing oversight, guidance and funding to the Airport. The FAA annually perform reviews to ensure the Airport complies with its requirements. Regulations, advisory circulars, and guidelines are provided by the FAA. The County receives funding from the Federal Government for Airport improvements. In accepting federal funding, the FAA’s Airport Compliance Program “serves to protect the public interest in civil aviation and ensure compliance with applicable Federal laws, FAA rules, and policies.”<sup>3</sup>

## Accomplishments Since 2012

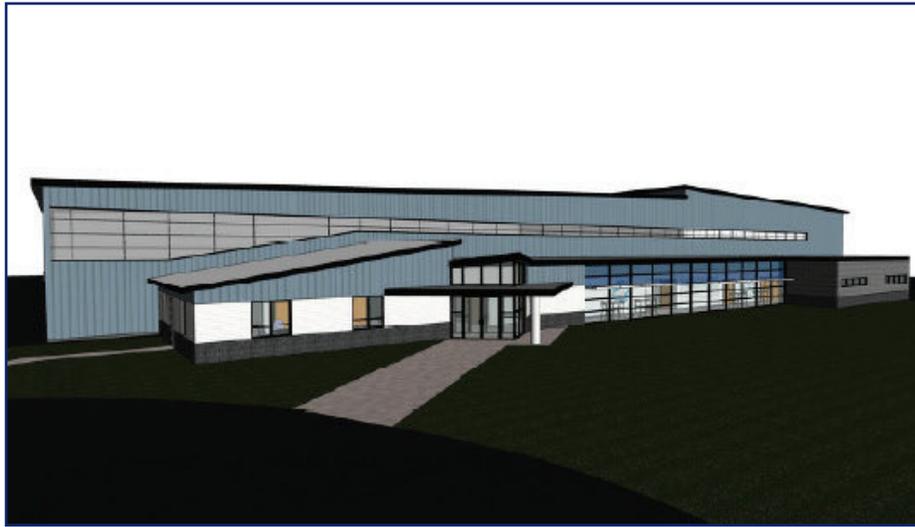
The 2012 Dutchess County Comptroller’s Special Report and the 2013 Dutchess County Airport Operational and Financial Assessment (Baldwin Associates) report mentioned recommendations for moving the Airport forward and improving its operations. Some of these recommendations were agreed with and implemented. Other items remain outstanding as suggested opportunities to be considered which we address in the next section.

### Observations:

- The Dutchess County Airport was renamed the Hudson Valley Regional Airport. This rebranding effort was done to expand the image of the Airport.
- In 2015, the County relinquished the fueling services and hired a Fixed Based Operator<sup>4</sup> (FBO) FlightLevel Dutchess, LLC to operate the line service and fueling services including the operation and maintenance of the fuel farm. Contract, history, and lease details may be found in the Revenue section of this report.

<sup>3</sup> [https://www.faa.gov/Airports/Airport\\_compliance/overview/](https://www.faa.gov/Airports/Airport_compliance/overview/)

<sup>4</sup> *The Fixed Based Operator is an entity engaged in the sale of products, services and facilities to aircraft including aircraft fueling.*



*Concept Rendering of the Aviation Maintenance and Education Center for Dutchess Community College*

- DPW indicated the County has deliberately decided to maintain Aircraft Rescue and Firefighting (ARFF) certification and services as it serves as an asset, despite the Baldwin Associates recommendation to consider relinquishing to reduce costs. New upgrades are underway which include a new building anticipated to be completed by the end of 2019.
- In 2016 and 2018, resolutions were passed by the DC Legislature to grant funding for the construction of an Aviation Maintenance and Education Center for Dutchess Community College on the Airport Property. This Education Center, projected to break ground in 2019, will help provide the necessary mechanics needed to service a broader clientele and meet industry demand for these skills at the Airport. This partnership also provides a niche program for the College and an opportunity to students for a specialized career.
- In 2018, a resolution was passed to grant funding for the construction of a water main line to serve various existing and proposed buildings at the Hudson Valley Regional Airport for \$808,000. The county completed the extension of the Central Dutchess Water Transmission Line Project to the Airport. Lack of these water lines was a hindrance to attracting new business as well as a safety concern. The project should be completed by August 2019.



*Rendering of the New Aircraft Rescue and Firefighting (ARFF), Snow Removal Equipment Building and Operations Center*

- In 2018, a resolution was adopted to commence the construction of a solar array to provide energy to the Airport via a 3rd party vendor lease agreement. This initiative to provide “green energy” was recommended to use empty parcels at the Airport with a primary objective of reducing energy costs, as well as, move the county in a green direction. This project is moving through the various required approval processes with construction projected to begin in July 2019.
- In 2018, the Airport prepared a bid proposal and awarded a contract to a local real estate broker to market and lease empty spaces in the Airport terminal. It is very important to the success of the Airport to fill those vacant units to enhance cash flow and overall activity at the terminal.
- The County received grant money to renovate the terminal in 2017. Funding includes monies for new ADA doors, windows, restrooms, and an elevator. The renovations are currently in process with the projected completion date in June 2019.
- The Airport has continued to maintain a good working relationship with its major tenant, AAG, which is important to the future success of the Airport.
- Continued monitoring of insurance compliance of tenants has been confirmed by Dutchess County Risk Management.



*View of the main entrance to the terminal building*

## **The Airport Advisory Committee**

The Airport Advisory committee is a subcommittee that reports to the Dutchess County Legislature. Per the Dutchess County website “The Dutchess County Airport Advisory Committee analyzes and evaluates the future use and development of the Airport to assist the County Legislature in its decision-making process. The Committee consists of 12 voting members: Six members as Airport users, six members as Airport neighbors. Non-Voting Members: County Legislators whose districts neighbor the Airport and the Supervisors of the Towns of Poughkeepsie, LaGrange, and Wappinger automatically serve as non-voting ex officio members to the Airport Advisory Committee.” In response to a request by our office to the Legislature for information regarding the current activities, the Legislature Assistant indicated they met once in 2016 but have not met regularly since 2012 (according to the Clerk’s records). The DC Legislature Chairman is currently working to ‘re-form’ the defunct committee and held a formal ‘re-organizational’ meeting on March 25, 2019 for the new members to meet, schedule 2019 meetings, discuss leadership and recruit the final two members.

## Recommendation:

- Reinstate Airport Advisory Committee to help ensure accountability and focus towards set goals.

The Advisory Committee could be an integral part of ensuring accountability by key people for staying on task and following up on determined goals and measures.

## Key Factors for Future Success: Opportunities

Upon review of the past master plans, assessments, and administrative goals, we feel the Executive Branch with the approval of the Legislative Branch should work with DPW to continue to focus on the following:

- Complete an updated Master Plan focusing on the short and long-term goals to become a competitive regional Airport.
- Continue to create and follow a Marketing Plan with the Fixed Based Operator by reviewing the best market growth areas and target efforts.
- Diversify and analyze revenue streams to include community events and non-Airport related activities.
- Continue efforts for expansion of the water and wastewater infrastructure to help encourage future growth and prosperity. Water and wastewater accessibility help to market and grow the possibility of new hangars as well as address safety concerns.
- Work with and communicate with the real estate firm to focus on marketing the terminal and vacant parcels.
- Provide consistent financial oversight of FBO operations, lease arrangements and tenant relationship.

## Fiscal Recap

The Airport is an Enterprise Fund in the County financial records. This accounting model helps determine the extent to which fees and charges are sufficient to cover the cost of providing goods and services, as well as the cost of any subsidy required from the general fund. The following chart displays the revenues and expenses less depreciation for the years 2012 through 2017 with the respective net profit (loss). This information was derived from the County's audited financial statements for each year. As of the date of this report 2018 is not available as the adjusting entries are not scheduled to be completed until April 2019. Additionally, the County's audited financial statements will not be completed until September 2019.

Year	Revenue	Expenses less Depreciation	Net Profit (Loss)
2012	\$1,976,385	\$2,607,976	*\$(631,591)
2013	\$2,150,302	\$2,522,510	\$(372,208)
2014	\$3,847,876	\$4,029,752	\$(181,876)
2015	\$1,665,466	\$1,905,310	\$(239,844)
2016	\$1,089,122	\$1,444,198	\$(355,076)
2017	\$1,243,367	\$1,180,035	\$63,332

Source: Annual Audited Financial Statements

\*Largest net loss during two review periods spanning 2001 - 2017

**County, State, and Federal Contributions for operations and capital costs follow for each year:**

	2012	2013	2014	2015	2016	2017
State & Federal Capital Contributions	\$1,055,820	\$112,577	\$1,293,122	\$1,417,163	\$1,563,350	\$464,799
Transfers in	866,138	600,830	619,545	576,216	*2,537,235	297,711
Transfers out	(890)	-	-	-	-	-
<b>Total Contributions</b>	<b>\$1,921,068</b>	<b>\$713,407</b>	<b>\$1,912,667</b>	<b>\$1,993,379</b>	<b>\$4,100,585</b>	<b>\$762,510</b>

*\*Includes \$2.2 million for DCC Airport Educational Facility*

In requesting information from DC Finance Department regarding the transfers-in for the specific time period, the following explanations were given: “Contributions and transfers are a combination of the county share, transfers of closed capitals, and operating transfers in.”

**Capital Contributions** - These funds are Capital Grant Funds from the Federal Aviation Administration in addition to State funding approved through resolution. The County applies for and is approved for the funding prior to the project start up.

**Transfers in** - These funds are the County contributions approved through resolution to match a capital project expense based on the grant application requirements. These funds are approved through the annual budget process.

**Transfers out** - These funds are the remaining funds unexpended in the closed Capital project accounts. Upon completion of the project, unexpended funds are transferred to the County’s Fund Balance.

**OBSERVATIONS:**

Overall transfers-in declined substantially in 2017. However, as shown the Airport is currently not self-sustaining. This has been a concern of the County’s outside auditing firm regarding the County carrying the Airport as a proprietary governmental fund. A 2017 recommendation in the Audited Financial Report was made to consider acknowledging the Airport as a department of the General Fund due to the continuous subsidies required by the County. With the additional capital improvements planned, it is anticipated capital contributions will continue to be necessary and therefore the Airport will not be self-sustaining in the near future. However, it is evident that there has been positive trends and strides made over the last six years with an opportunity to become self-sustaining. This opportunity can only be realized with a focused plan of action and continued oversight to make it happen.

**RECOMMENDATION:**

The Department of Finance and the Administration should create an evaluation time line to determine at what point to either continue the Airport as an enterprise / proprietary fund or fold the operations into the general fund as a department.

## REVENUE AND EXPENSES

The detail as provided in the Audited Financial Statements for revenues and expenses less depreciation follows:

	2012	2013	2014	2015	2016	2017
<b>Operating revenues:</b>						
Charges for services	\$1,840,139.00	\$1,997,825.00	\$3,712,576.00	\$1,500,106.00	\$923,307.00	\$926,125.00
Other revenue	5,803.00	25,283.00	7,437.00	16,089.00	6,540.00	147,591.00
Total operating revenues	\$1,845,942.00	\$2,023,108.00	\$3,720,013.00	\$1,516,195.00	\$929,847.00	\$1,073,716.00
<b>Non-operating revenues:</b>						
Interest income	\$130,443.00	\$127,194.00	\$127,863.00	\$147,297.00	\$159,275.00	\$169,651.00
Other				1,974.00		
<b>TOTAL REVENUE</b>	<b>1,976,385.00</b>	<b>2,150,302.00</b>	<b>3,847,876.00</b>	<b>1,665,466.00</b>	<b>1,089,122.00</b>	<b>1,243,367.00</b>
<b>Operating expenses:</b>						
Personal services	\$631,177.00	\$566,861.00	\$571,876.00	\$525,090.00	\$466,073.00	\$443,983.00
Employee benefits	548,598.00	484,562.00	451,693.00	418,978.00	369,375.00	381,004.00
Contracted services	1,274,733.00	1,402,305.00	2,937,831.00	903,097.00	548,451.00	309,663.00
Total operating expenses	\$2,454,508.00	\$4,097,940.00	\$3,961,400.00	\$1,847,165.00	\$1,383,899.00	\$1,134,650.00
Interest expense	153,468.00	68,782.00	68,352.00	58,145.00	60,299.00	45,385.00
<b>TOTAL EXPENSES</b>	<b>\$2,607,976.00</b>	<b>\$2,522,510.00</b>	<b>\$4,029,752.00</b>	<b>\$1,905,310.00</b>	<b>\$1,444,198.00</b>	<b>\$1,180,035.00</b>
<b>Operating (loss) prior to county contributions and transfers</b>	<b>(\$631,591.00)</b>	<b>(\$372,208.00)</b>	<b>(\$181,876.00)</b>	<b>(\$239,844.00)</b>	<b>(\$355,076.00)</b>	<b>\$63,332.00</b>

### OBSERVATION:

Operating revenue and expenses have decreased with the advent of the County hiring the Fixed Based Operator to provide fueling services beginning in 2015.

### Revenue

The County's primary source of revenue is from the general rental of Airport space including hangars, tie-downs, and the terminal building space. There is also an operating agreement with FlightLevel Dutchess, LLC for rent and other income as described in the FBO section below.

The County Attorney's Office in conjunction with the Department of Public Works provides assistance negotiating the leases with the tenants. We reviewed the processes and procedures for billing to each of these tenants including the review of rate schedules, formal agreements which include payment terms, prior billings, collections, and accounts receivable balances.

**Observation:**

Local Law #1 of the year 2000 gave the County Executive authority to enter into leases for terms not exceeding five years each. On June 26, 2015 this law was superseded by Local Law #5 of 2015 giving the County Executive authority to negotiate and execute all lease agreements and conduct all business activities without public hearing or legislative approval for the Airport.

On August 15, 2015 the County Executive executed a lease agreement with the Fixed Based Operator – FlightLevel Dutchess, LLC.

**General Airport Leases and Tie Down Billing Rates**

Rates are established and approved through the budget process. Below are the 2018 rates. Hangars and office space are separate fees based on square footage and/or contract agreements.

<b>Hudson Valley Regional Airport 2018 Fee Schedule</b>	
<b>Monthly Rentals</b>	<b>Monthly Rate</b>
Paved Tie-Down	\$92
Gulf T 40'W x 32'L	\$267
Juliet T 40'W x 33'L Door Height 12'	\$445
Juliet #83	\$812
Ranch Hangar 44 1/2' W x 41' L Door Height 14', 1,824 Sq. Ft.	\$705
	<b>Daily Rate</b>
Nightly Hangar	\$30
<b>Landing Fees</b>	
Landing Light/Medium Turbine	\$31
Landing Large/Heavy	\$58

**FLIGHTLEVEL DUTCHESS, LLC – DUTCHESS COUNTY CONTRACTED FBO**

**History:** Until August of 2014, Dutchess County operated the Airport’s fueling and aircraft storage to users under the name of Dutchess Aviation. The County employed four employees to carry out these functions. Operations of this nature are referred to as Fixed-Based Operations (FBO) in the aviation industry. It was reported by an outside consultant, Steve Baldwin Associates, in the 2013 Operational & Financial Assessment, that FBO’s are almost always for-profit organizations and that all similar Airports to Dutchess County surveyed employed privately run FBO’s. Baldwin Associates recommended Dutchess County prepare a Request for Proposal (RFP) to solicit a privately-run FBO of which they ultimately assisted in writing.

The RFP was posted on November 17, 2014 with two companies responding to the request. After a County committee reviewed proposals from Flight Level Aviation and Volo Facilities & Volvo Aviation, LLC, Flight Level Aviation was chosen.

Dutchess County entered into a 5-year lease and operating rights agreement with FlightLevel Dutchess, LLC on August 14, 2015 for FlightLevel to become the Airport’s FBO. The original lease was only in effect from August 14, 2015 until December 31, 2015 as this lease was amended on July 14<sup>th</sup>, 2016 retroactive to January 1, 2016. The term was extended to fifteen years and ends July 31, 2030.

The leased premises include: 1,075sq ft of the terminal building; Hangar 9 and surrounding area; the Aviation Development Area consisting of 153,472 sq. ft.; and fuel farm storage. The rent for these spaces began at \$59,880 per year with an annual Consumer Price Index (CPI) increase starting in August 2016. The agreement also allows for the County to collect fees for fuel flow and 30% of net profits for all commercial and general aviation activities including parking fees, catering fees, hangar fees, office fees, rents from subtenants, aircraft maintenance fees including parts and labor on the premises, and landing fees.

The contract arranges for a minimum annual guarantee (MAG) payment be made by the lessor to the County in the amount of \$200,000 per year. Minimum Monthly Guarantee (MMG) payments of \$8,000 were agreed upon as a base beginning January 2016 that increased to \$9,000 on June 1, 2016. This MMG remains the same until the end of the lease in 2030. At the end of each year there is an annual reconciliation submitted by the tenant showing the calculation of the percentage of net profit, fuel farm storage fee, fuel flow fee compared to the MAG with the difference being owed to the County.

**A summary of rents & fees charged and collected in the chart below:**

FlightLevel Dutchess, LLC Terms	Monies paid to the County
Terminal Building	\$1,657/month
Hangar 9 + utilities	\$3,103/month
Apron area around the Hangar 9	\$84/month
Aviation Development Area	\$146/month
Fuel Farm Storage Fee	\$.15/gallon of aviation fuel delivered \$.12/gallon for each gallon delivered above 100,000 gallons annually
Fuel Flow Fee	\$.030/gallon for aviation fuel sold – 8/15/15-7/31/18 \$.036/gallon beginning 8/31/18
Gross Fees	30% of net profit except aviation fuel and aircraft sales 3% of any aircraft sales
Minimum Annual Guarantee	\$200,000 per year paid monthly: \$8,000/month January-May 2016 \$9,000/ month June 2016-July 2030
Landing Fees	90% of the collected turbine aircraft landing fees

**Fixed Based Operator Contract Review**

**Observations:**

- **The lease allows for the tenant to carry forward the annual amount due with no penalties.** The intent described to the Comptroller’s Office by DPW of this arrangement is to allow the FBO time to grow the business over time as the Airport attracts more business.
- The lease with FlightLevel has flaws and ambiguity in several areas:
  - Lease term- The original agreement stated 8/1/15 but MAG receivable was prorated based on lease sign date
  - Aviation Development Area (pg. 2 original lease) – The rent escalations are silent– needs to be defined
  - Amendment (pg. 5 amendment) references Article 6 “Construction of Improvements” when it should be Article 7
  - DPW verbally agreed to receive landing fees quarterly. This should be in a written agreement if going forward.

- Section 3 (i) (pg. 4 original lease) refers to the “Monthly Hangar Construction Expenditure Form” attached as Exhibit C however Exhibit C is also referenced in Section 3 (4) as Ramp area which is the actual attachment. The amendment should add the expenditure form as another exhibit.
- The lease dictates that monthly payment is due on the 1<sup>st</sup> of the month and that late fees be incurred if not paid within 10 days. DPW indicates that the lease payment due dates were verbally changed to the 15<sup>th</sup> of the month. This should be in writing.
- Per section 28 of the lease agreement: FBO Marketing Plan – “The Lessee (FlightLevel Dutchess, LLC) in consultation with the Lessor (County of Dutchess), shall submit an annual Marketing Plan for the entire Airport to the Lessor by March 31<sup>st</sup> of each year. The Plan shall include, but not be limited to, promotion, advertising, social media, events, and convention participation.” The Marketing Plan submitted by DPW as part of this audit was from FlightLevel Aviation, the parent company of FlightLevel Dutchess, LLC which includes the marketing plan for all of the FlightLevel Airports across the country.
- Section 7 of the lease dictates that the Lessee shall make improvements to the terminal building by July 31, 2020. DPW indicated planning efforts are underway and are being coordinated with DPW and contractors.
- In the lease FlightLevel agreed to acquire the assets of a third-party Cirrus Design Corporation Authorized Service Center to “attract investment for the construction of a new maintenance facility at the Airport”. The acquisition was made however maintenance operations ceased six months later when acquired staff decided to leave the operations.
- FlightLevel was billed on 11/23/16 for a small oil spill from a fuel tank. It was later determined this expense was a landlord expense but was not corrected until 7/10/18. This adjustment should have been made during year-end review for 2017 to ensure proper annual reporting.

#### **Recommendations:**

- The lease should be amended to correct and clarify the items in the agreement as identified above.
- The County should work closely with the FBO to develop marketing specific to the Hudson Valley Regional Airport and employ a strategy that includes measurable goals and objectives to ensure the Airport continues to move forward and grow.
- DPW should continue to work with the tenant to ensure the tenant’s obligation to make improvements to the terminal building are fulfilled in the agreed upon time frame.
- Efforts should continue to provide maintenance services at the Airport. The new DCC Aviation Center partnership should help in the future however short term there is a gap and long term cannot be projected at this time. DPW indicated that the expansion of the maintenance facilities and services has been hampered by a lack of skilled workers in the region and the limited water and wastewater infrastructure. The new water line and water distribution project coupled with the new hangar and DCC Aviation program is expected to provide the needed infrastructure and skilled workforce to expand maintenance services and attract additional maintenance facilities.
- Accounts receivable should be reconciled annually and adjusted if appropriate to ensure accurate year-end financial reporting.

## Rental Summary and Vacancy

### Hudson Valley Airport Tenants 2018 Revenues & Vacancies As of December 31, 2018

	Monthly Cost	Amount of Spaces	Total Anticipated Income monthly	Current Rental Base	Current income	Tenant Vacancy	*Other	Notes
Tie down Leases	\$92	65	5,980	25@ \$92 3@ \$80 1 @ 0 DCC	\$2,540	29	7	7 unusable per Airport  Dutchess Community College
Gulf Storage Hangars	\$267	13	\$3,471	8@ \$267 1@ \$45 1@ \$1 DCC	\$2,182		3	Airport Equipment storage  Dutchess Community College
Large Hangars	Based on Square Footage	3	\$10,901	1 @ \$1,100  1 @ \$801 1 @ \$9,000	\$10,901	0		
Ranch Hangars	\$705	10	\$7,050	8@ \$705 1 @ \$650 1 @ 500	\$6,790			
Juliet Hangars	\$445	60	\$26,700	57 @445 1 @ Sheriff	\$25,365	2		Sheriff
Juliet Hangars - Storage		4 @ \$267 3 @ \$45	\$1,068 \$135	1 @ Sheriff 3 @ \$45 2 @ Airport Equip	\$135	1	1	Sheriff  Airport
Terminal Building	Various	13	Various	11 1 @ DC Aviation	\$22,366.86	1		Airport Office
Ramp	\$92 \$83	1 1	\$92 \$83		\$92 \$83			Westfield Flight Academy

\* Other-Spaces that may not be available for rent on a consistent basis - due to season or Dutchess County Use.

### Contracts, Billing, and Payment Processes

The Airport has contract agreements with its tenants which include provisions for payment. The Airport invoices the tenants monthly by printing out billings from the software. Many of the invoices are mailed each month. An accrual is set up for monies billed and due. When a batch receiving funds is completed and approved, the funds are sent via courier to the Dutchess County Finance Department for deposit. The Finance Department verifies the funds and the corresponding batch information prior to recording the revenue. Funds are deposited in a separate bank account that Finance reconciles. A cash receipt is issued.

#### Observations/Findings:

- Many of the lease and tie down rentals are printed and mailed monthly.
- While payments are submitted to the Airport for most rentals, it was noted the FBO payments were sent directly to DPW Administration. The Airport Accounting Clerk is notified of the FBO receipt and updates the accounts receivable records. DPW indicated the FlightLevel payments are submitted with monthly reports, which are received by the DPW Director of Budget & Finance who reviews and reconciles. Other revenue payments (snow plowing, hangar leases, etc.) are sent directly to the Airport Accounting Clerk.

- Adjustments were made to selected accounts receivable entries which reduced or eliminated transactions. There was no written reason in the comments. While conducting our review, we had to request this information.
- At the time of our initial review there were no written accounts receivable policies detailing procedures for timing of escalation to management or county attorney for nonpayment. DPW has since created an accounts receivable policy.
- All current general leases were confirmed for compliance, including insurance requirements which were confirmed by Risk Management. However, many of the leases were executed late due to the insurance requirements not being met. Tenants continued to pay during lease negotiations.
- Billing adjustments do not have a formal approval process

**Recommendations:**

- To save on printing and mailing costs, it is recommended monthly reminders be sent via email to tenants rather than printing invoices and mailing.
- All funds should be sent to one designated accounts receivable person for consistency.
- To ensure transparency and consistency, all adjusting entries should have a clear written explanation at the time of entry.
- DPW Airport Administration should periodically review the accounts receivable policy to ensure proper and consistent handling.
- Risk Management and County Attorney should continue to ensure timeliness of lease renewals and compliance of tenant leases.
- All billing adjustments should have explanations and written approval by a supervisor. Consultation with OCIS is recommended to determine if the comment field on adjustments can be made mandatory to help ensure an explanation is included.

**Revenues and Appropriations 2012 - 2018**  
 Source: Dutchess County Budget Performance Reports

Revenue	2012	2013	2014	2015	2016	2017	2018
Airport Fees	\$725,572.96	\$769,628.48	\$787,955.63	\$868,767.62	\$919,724.57	\$926,125.16	\$968,026.48
Airport Sale (Fuel and Line Svcs)	\$1,109,038.30	\$1,222,361.44	\$1,236,054.41	\$631,337.73			
Interest	\$1,607.16	\$2,353.11	\$2,269.37	\$2,061.10	\$3,558.82	\$5,102.30	\$25,522.15
Rental of Real Property	\$128,842.00	\$124,840.80	\$125,593.99	\$145,236.04	\$155,714.75	\$164,548.62	\$155,432.65
Commissions	\$1,398.86	\$1,490.46	\$1,440.75	\$1,545.23	\$2,371.02	\$2,392.73	\$1,297.33
Sales of Scrap & Excess Material						\$189.60	\$385.20
Sales, Other	\$233.00	\$65.00	\$637.00	\$73.00	\$1,131.00		
Sales of Real Property *			\$(1,501,817.44)		\$707,382.20		
Sale of Equipment **		\$2,210.00		\$(15,313.48)	\$(707,382.20)		
Other Comp for Loss ***						\$144,867.94	
Insurance Recoveries	\$4,241.13	\$3,560.00	\$995.00				
Self Ins. Recoveries	\$1,054.00		\$2,577.48		\$2,451.48		\$5,539.58
Refund of Prior Year's Exp.	\$3,557.09	\$23,162.94	\$5,638.87	\$20,908.46	\$38.60		\$436.00
Premium on Obligations				\$1,974.35			
Unclassified Revenue	\$847.00	\$629.88	\$357.07	\$401.71	\$4,130.00	\$140.00	\$469.55
<b>BEFORE TRANSFERS</b>	<b>\$1,976,391.50</b>	<b>\$2,150,302.11</b>	<b>\$661,702.13</b>	<b>\$1,656,991.76</b>	<b>\$1,089,120.24</b>	<b>\$1,243,366.35</b>	<b>\$1,157,108.94</b>
Interfund Revenues			\$1,684,357.27				
Interfund Transfers ****	\$730,786.00	\$552,385.00	\$540,945.00	\$480,416.00	\$219,685.00	\$191,611.00	\$412,488.00
Interfund Trans. For Debt Svc.	\$5,351.76		\$3,772.01	\$403.14	\$1,160.04	\$190,623.96	\$3,592.08
<b>TOTAL</b>	<b>\$2,712,529.26</b>	<b>\$2,702,687.11</b>	<b>\$2,890,776.41</b>	<b>\$2,137,810.90</b>	<b>\$1,309,965.28</b>	<b>\$1,625,601.31</b>	<b>\$1,573,189.02</b>

\* In 2014 property referred to as a balefill/landfill was moved to the general fund as it was determined it was not an Airport project expense.

\*\*In 2015 two refueling trucks were disposed of.

\*\*\*In 2017, Resolution #2018184 authorized the reclass of 2017 settlement funds to be reserved for use to rehabilitate a hangar door.

\*\*\*\*The 2018 interfund transfers included an additional \$200,000 authorized in resolution #2018291 to address an anticipated PFOA/PFOS issues pursuant to a NYSDEC Order on Consent. These funds were not expended in 2018.

NOTE: The 2018 figures shown above are not yet final and audited.

**Revenue Definitions:**

Airport fees include fees for tie downs, hangar leases, landing fees, snow removal, fuel flow charges.

Airport Sale include sales of fuels and catering. Discontinued during 2015, as the FBO took over these operations.

Rental of Real Property includes the Airport building offices' rentals.

Interfund Transfers represent the county's contribution to the Airport operations as adopted in the budget.

## Expenditures 2012 - 2018

Source: Dutchess County Budget Performance Reports

Line	Expense	2012	2013	2014	2015	2016	2017	2018
	Salaries	\$638,467.22	\$563,834.36	\$557,607.09	\$553,160.66	\$473,667.84	\$445,796.16	\$405,689.92
2800	Building Improvements	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$2,959.32
4102	Parts & Supplies - Auto, Equip	\$11,915.21	\$14,259.71	\$9,475.07	\$26,724.68	\$24,448.31	\$20,428.39	\$18,456.60
4105	Bldg & Maint Parts, Supp & Tools	\$7,961.57	\$5,712.64	\$5,825.48	\$7,981.90	\$8,353.53	\$8,044.70	\$9,031.98
4108	Bituminous Concrete	\$73.09	\$287.41	\$523.89	\$0.00	\$413.67	\$52.75	\$87.76
4118	Field Supplies	\$823.17	\$530.14	\$1,060.58	\$814.50	\$78.00	\$319.32	\$188.62
4119	Edu Supplies-Books, Film	\$1,017.50	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$82.00
4123	Safety Supplies	\$957.50	\$3,585.28	\$516.94	\$2,498.49	\$3,677.17	\$2,541.91	\$7,735.89
4124	Communication Supplies	\$1,851.16	\$368.00	\$423.24	\$175.00	\$0.00	\$536.14	\$138.65
4127	Propane Gas	\$9,109.59	\$15,586.63	\$23,906.91	\$14,042.70	\$7,121.84	\$11,335.30	\$15,753.68
4133	Gravel, Fill & Stone	\$0.00	\$345.03	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
4137	Ice Control Materials	\$6,010.00	\$7,491.72	\$12,302.00	\$10,780.00	\$7,950.00	\$4,500.00	\$8,299.55
4160	Office Supplies	\$2,698.31	\$2,822.34	\$2,785.84	\$1,081.60	\$1,485.01	\$1,477.28	\$3,704.87
4190	Uniforms, Badges & Access	\$2,069.93	\$1,509.72	\$1,317.36	\$1,345.18	\$480.50	\$1,230.00	\$989.00
4210	Gas-Public Utilities	\$6,444.24	\$11,900.00	\$26,790.00	\$12,810.09	\$6,985.85	\$8,301.69	\$9,924.80
4220	Electric-Light & Power	\$60,350.60	\$77,282.00	\$92,904.00	\$66,905.56	\$65,861.26	\$60,912.58	\$66,903.99
4230	Telephone	\$4,632.57	\$4,559.30	\$3,989.81	\$3,962.84	\$3,952.75	\$3,958.78	\$3,991.27
4231	Data Lines	\$944.40	\$959.40	\$849.72	\$716.40	\$829.29	\$839.28	\$853.21
4235	Cable Services	\$360.72	\$942.81	\$1,166.01	\$1,216.82	\$1,245.00	\$1,316.25	\$1,385.43
4310	Motor Vehicle Insurance	\$4,487.68	\$3,500.00	\$3,500.00	\$4,950.00	\$4,512.22	\$5,008.19	\$5,397.90
4320	Property Insurance	\$6,607.52	\$5,000.00	\$6,000.00	\$7,397.00	\$8,662.00	\$9,538.67	\$9,200.80
4330	Liability Insurance	\$19,597.30	\$17,092.00	\$12,520.00	\$19,350.00	\$18,413.00	\$20,962.26	\$21,028.00
4401	Professional Services	\$3,000.00	\$84,475.80	\$42,370.22	\$53,570.13	\$18,556.09	\$4,600.00	\$32,026.90
4404	NYS Assessments and Fees	\$600.00	\$200.00	\$100.00	\$595.00	\$256.94	\$116.24	\$450.00
4418	Lab Fees/ Chem Analysis	\$2,205.00	\$1,360.00	\$735.00	\$0.00	\$0.00	\$0.00	\$0.00
4456	Training Programs - Educ	\$0.00	\$1,215.00	\$1,249.00	\$1,053.00	\$1,075.00	\$1,098.00	\$1,038.00
4463	Judgements and Claims	\$6,490.50	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
4570	Rental/Lease of Equipment	\$1,181.26	\$703.05	\$1,577.10	\$1,746.28	\$943.32	\$896.20	\$871.75
4606	Janitorial Services	\$9,083.04	\$9,108.19	\$9,118.54	\$24,471.70	\$28,106.18	\$28,776.52	\$5,786.10
4607	Prof License & Permit Fee	\$799.00	\$300.00	\$250.00	\$200.00	\$200.00	\$200.00	\$370.00
4608	Maint -Runways & Fields	\$33,650.77	\$8,192.25	\$8,355.55	\$17,130.09	\$19,570.01	\$29,338.15	\$12,245.65
4609	Maint -Service Contracts	\$4,906.11	\$3,208.48	\$2,916.05	\$3,699.89	\$1,970.00	\$1,945.88	\$2,542.00
4610	Advertising	\$2,585.00	\$8,685.00	\$2,475.00	\$200.00	\$0.00	\$0.00	\$243.99
4611	Refuse Removal	\$1,442.16	\$1,869.12	\$1,920.60	\$1,419.12	\$1,661.85	\$1,701.60	\$1,723.60
4612	Repairs/Alterations to Equipment	\$2,529.48	\$823.00	\$6,639.23	\$5,725.45	\$464.93	\$981.00	\$24,089.05
4613	Repairs/Alt to Real Prop	\$16,194.99	\$2,028.95	\$1,745.60	\$9,961.78	\$193,328.09	\$3,402.21	\$8,069.81
4619	Employee Mileage Non-Taxable	\$184.11	\$298.15	\$250.60	\$251.33	\$17.28	\$0.00	\$0.00
4620	Employee Travel & Expense	\$2,284.39	\$1,964.59	\$1,725.70	\$2,106.47	\$1,879.29	\$2,083.64	\$1,828.36
4626	Employee Allowance	\$319.90	\$724.56	\$641.10	\$866.45	\$434.10	\$449.80	\$476.90
4628	Interdepartment Expense	\$75,914.56	\$66,527.00	\$86,701.18	\$111,756.96	\$98,061.58	\$66,461.57	\$72,275.25
4631	Training Seminars / Conferences	\$3,894.57	\$2,374.50	\$2,290.50	\$2,415.00	\$2,526.00	\$3,080.00	\$3,095.00
4650	External Postage	\$1,549.01	\$1,181.19	\$1,195.37	\$1,537.87	\$1,760.21	\$1,732.90	\$707.38
4670	Subscriptions	\$1,108.00	\$1,330.00	\$885.00	\$1,360.00	\$940.00	\$1,495.00	\$995.00
4680	Taxes on Property	\$0.00	\$6,516.52	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
4712	Bank Charges	\$18,143.02	\$31,491.28	\$30,932.21	\$17,288.29	\$0.00	\$0.00	\$0.00
4750	Other Equipment -ND	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$2,542.36
5901	AVGAS for Resale - 100	\$394,897.04	\$536,267.73	\$548,990.19	\$229,062.20	\$0.00	\$0.00	\$0.00
5903	JET Fuel for Resale	\$510,500.67	\$498,526.78	\$451,897.54	\$141,507.15	\$0.00	\$0.00	\$0.00
5904	Aviation Oil for Resale	\$1,965.00	\$2,409.40	\$5,226.84	\$2,176.80	\$0.00	\$0.00	\$0.00
5905	Misc Aviation Supplies	\$1,160.40	\$340.00	\$445.00	\$308.00	\$0.00	\$0.00	\$0.00
5906	Catering	\$544.50	\$1,276.55	\$1,142.88	\$1,490.73	\$0.00	\$0.00	\$0.00
6903	Principal-Serial Bonds	\$505,729.07	\$422,678.57	\$343,381.70	\$287,419.90	\$281,678.37	\$255,964.74	\$265,652.27
7903	Bond Interest - Ent Funds	\$153,467.84	\$139,052.00	\$78,481.84	\$54,396.81	\$60,086.55	\$48,891.26	\$37,845.72
	Employee Insurance	\$355,235.63	\$345,390.86	\$335,772.98	\$260,748.83	\$300,808.27	\$243,071.74	\$223,193.27
	<b>TOTAL</b>	<b>\$2,897,944.30</b>	<b>\$2,918,087.01</b>	<b>\$2,732,876.46</b>	<b>\$1,970,378.65</b>	<b>\$1,652,461.30</b>	<b>\$1,303,386.10</b>	<b>\$1,289,871.60</b>

## Expenditure Observations:

Maintenance increased in 2016 were attributed to the janitorial contracted expense increase with the vendor NYS Industries.

Repairs increased in 2016 due to blacktopping the AAG parking lot, main lot, and roadway and the FAA overflow. In addition, the fire alarm was replaced.

Employee Insurance and Salaries are exclusive of net pension liability, OPEB, and change in compensated absences.

## Capital Projects

Dutchess County DPW in conjunction with the FAA annually evaluate capital projects needed and required to create a 5-year Capital Plan. Funding for these projects are typically split between the County (5%), New York State through the DOT (5%), and the Federal Government through the FAA (90%). Capital projects are initiated at the discretion of the Executive Branch, with funding approval from the Legislature. The below charts are the projects that have been completed since 2012 and those still in process as of the date of this report respectively.

Completed/Closed Airport Capital Projects				
Capital Account	Purpose	Resolution or Adopted Date	Airport Funds Appropriated	Expended
EA0454	Airport Improvements (taxiway replacement, terminal improvements, machinery etc.)	5/13/2013	\$2,497,046	\$1,612,066
EA0464	Purchase of Airport Equipment	5/12/2014	22,000	21,597
EA0465	Hazmat Survey & Assessment	6/9/2014	15,000	15,000
EA0470	Rehabilitation & Construction of Taxiways A,B,C	7/7/2014 & 9/8/2014	1,430,000	1,406,092
EA0472	Design & Replacement of Electrical Building	7/7/2014 & 6/8/2015	751,000	707,382
EA0475	Realignment of Taxiway A	8/11/2014 & 6/8/2015	1,017,000	932,232
EA0488	Upgrade of the Airport Terminal Building windows and doors	4/11/2016	35,000	35,000
EA0507	Design of Emergency Arresting System replacement & minor safety improvements	8/14/2017	145,000	73,158
		<b>Totals</b>	<b>\$5,912,046</b>	<b>\$4,802,527</b>

### Open Airport Capital Projects

Capital Account	Purpose	Resolution or Adopted Date	Airport Funds Appropriated	Expended/ Encumbered Total for 2018	Status per DPW
EA0485	Environmental Study for on and off Airport obstruction removal	9/8/2015	\$290,000	\$284,198	Phase I - Conduct Environmental Study for On/Off Airport Construction Removal is on hold pending the completion of project EA0525 - Runway Safety Area Study.
EA0492	Design of Aircraft Rescue & Fire Fighting/Snow Removal Equipment & associated water distribution at the Airport	5/9/2016 & 8/20/2018	8,816,900	8,395,416	Design activities done in 2018. Construction activities beginning in March 2019. Expected completion and all improvements in service by Fall 2019.
EA0501	Construction of an education facility on the Airport property for Dutchess Community College	12/8/2016 & 11/13/2018	13,131,945	1,066,940	Design activities on-going. Construction work scheduled to begin July 2019, completion and all improvements in service July 2020.
EA0502	Property Renovation of the Airport Terminal Building	1/23/2017	988,500	980,909	Design work completed and construction on-going. Estimated completion is June 2019. All improvements will be in service June 2019.
EA0504	Purchase of motor vehicle for Airport	5/8/2017	45,955	40,312	Project completed, scheduled to be closed in 2019.
EA0516	Purchase of equipment for the Airport	6/11/2018	78,078	77,009	Vehicle purchased and in service.
EA0518	Construction of On-Airport Water Line for various buildings	5/14/2018	808,000	534,463	First section of water line is built and in service. Final section is scheduled for construction April 2019. Expected completion August 2019. All improvements in service by June 2019.
EA0520*	Purchase of various motor vehicles for the Airport	6/11/2018	73,730	39,420	Vehicle will be ordered Spring 2019. Expected that vehicle will be in service by November 2019.
EA0525	Environmental assessment for Runway Safety Area & runway improvements	10/9/2018	469,175	465,241	This project replaces Project EA0507. Design is on-going. Expected completion and improvements in service expected by Fall 2021.
		<b>Totals</b>	<b>\$24,702,283</b>	<b>\$11,883,908</b>	

MARCUS J. MOLINARO  
COUNTY EXECUTIVE



ROBERT H. BALKIND, P.E.  
COMMISSIONER

DAVID C. WHALEN  
DEPUTY COMMISSIONER

**COUNTY OF DUTCHESS**  
DEPARTMENT OF PUBLIC WORKS

March 28, 2019

Robin Lois, Comptroller  
County Office Building, 4<sup>th</sup> Floor  
22 Market Street  
Poughkeepsie, NY 12603

RE: Audit of Hudson Valley Regional Airport

Dear Comptroller Lois:

Thank you for the opportunity to provide a response to the Hudson Valley Regional Airport Audit. The Department of Public Works has reviewed the report and is in general agreement with the financial data presented and the observations and recommendations provided. Over the years there have been many studies and reports prepared to assess and provide recommendations on how best to operate the County's airport. As your audit correctly noted, many of these recommendations have been successfully implemented. The County Executive's Office has looked critically at each recommendation to determine if it would further the overall goal of bringing the airport into a cost-neutral position (minimum standard) or a revenue-positive position (desired goal.) I believe your report accurately documents how the recommendations have been implemented over the past eight years, moving the airport in the desired direction.

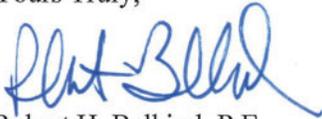
Through the many initiatives the County has undertaken at the airport, such as partnering with FlightLevel to privatize the line service operation, building new water infrastructure in cooperation with Dutchess County Water and Wastewater Authority, planning for the construction of a new educational hanger facility in close association with Dutchess Community College, construction of a new FAA funded airport operations and fire-fighting facility, and re-branding and re-naming the airport, the County continues to see a decline in the tax-payer subsidy. Equally as important, there is now palpable private sector interest in our airport. Through the County's continued focus on regional and national marketing, we expect this interest will soon result in new commercial investment in our airport.

The Hudson Valley Regional Airport is key County asset and we appreciate your comprehensive review of our work, in particular the time you and your team took to learn about and understand the vision and goals for airport's future and the initiatives that have been undertaken to maximize this asset to its fullest potential. This work has been several years in the making and we are just beginning to see the results of our initiatives come to fruition. Thank you for recognizing all that has been accomplished in this report.

Your audit correctly notes there is still more to be done, and the County will continue to seek new opportunities to further grow the airport as the valuable asset it has become. While your audit did not discuss Hudson Valley Regional Airport's multi-million dollar economic impact to Dutchess County and the surrounding region, it is important to note the airport is truly an economic engine, serving as an important regional transportation hub, creating sales tax revenue and employing a skilled workforce. Upon completion of the Dutchess Community College educational hanger, the airport will also serve as a regional training center supplying the aviation industry with much needed technicians who will command high paying jobs in Dutchess County and beyond.

As with all audits, the Department will use this report as an opportunity to improve its performance and continue to move Hudson Valley Regional Airport in a positive direction. The County Executive and the Department of Public Works will continue to work in close partnership with the County Legislature and their Airport Advisory Committee. Through this collaborative process, together we will strive to improve customer service and seek opportunities to make the airport a business-friendly environment for our current and future tenants and business partners. Thank you for the opportunity to offer this response to your Hudson Valley Regional Airport audit.

Yours Truly,



Robert H. Balkind, P.E.  
Commissioner

c: D. Whalen, DPW Deputy Commissioner  
M. Aldrich, DPW Director of Budget and Finance



## **DUTCHESS COUNTY COMPTROLLER**

*ROBIN L. LOIS, COMPTROLLER*

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