

A Performance Audit of

Ogden-Hinckley Airport

An Examination of Airport Management,
Finances, and
Strategic Planning Best Practices

Office of the Legislative
Auditor General

Report to the UTAH LEGISLATURE





**LEGISLATIVE
AUDITOR GENERAL**



THE MISSION OF THE LEGISLATIVE AUDITOR GENERAL IS TO

AUDIT · LEAD · ACHIEVE

WE HELP ORGANIZATIONS IMPROVE.

Audit Subcommittee

President J. Stuart Adams, Co-Chair
President of the Senate

Senator Evan J. Vickers
Senate Majority Leader

Senator Luz Escamilla
Senate Minority Leader

Speaker Mike Schultz, Co-Chair
Speaker of the House

Representative Jefferson Moss
House Majority Leader

Representative Angela Romero
House Minority Leader

Audit Staff

Kade R. Minchey, Auditor General, CIA,
CFE

Jesse Martinson, Manager, CIA

Andrew Poulter, Lead Auditor

Office of the Legislative Auditor General

olag.utah.gov





Office of the Legislative Auditor General

Kade R. Minchey, Legislative Auditor General

W315 House Building State Capitol Complex | Salt Lake City, UT 84114 | Phone: 801.538.1033

Audit Subcommittee of the Legislative Management Committee
President J. Stuart Adams, Co-Chair | Speaker Mike Schultz, Co-Chair
Senator Evan J. Vickers | Representative Jefferson Moss
Senator Luz Escamilla | Representative Angela Romero

April 17, 2024

TO: THE UTAH STATE LEGISLATURE

Transmitted herewith is our report:

“A Performance Audit of Ogden-Hinckley Airport: An Examination of Airport Management, Finances, and Strategic Planning Best Practices” [Report #2024-02].

An audit summary is found at the front of the report. The scope and objectives of the audit are included in the audit summary. In addition, each chapter has a corresponding chapter summary found at its beginning.

This audit was requested by the Legislative Audit Subcommittee.

We will be happy to meet with appropriate legislative committees, individual legislators, and other state officials to discuss any item contained in the report in order to facilitate the implementation of the recommendations.

Sincerely,

Kade R. Minchey, CIA, CFE

Auditor General

kminchey@le.utah.gov





PERFORMANCE AUDIT

AUDIT REQUEST

The Legislative Audit Subcommittee requested this audit to review the operational and fiscal management of Ogden-Hinckley Airport (OGD). This included a review of hangar management; however, we focus solely on the inspection of hangars and do not address ground leases for hangars, which are the subject of ongoing litigation between Ogden City and hangar owners.

BACKGROUND

After many years of insufficient management and oversight, the airport established a new master plan. This plan's vision is to foster general aviation, commercial service growth, and aeronautical business opportunities. Ogden City believes that doing so will help improve operations and finances at the airport; however, the plan is missing essential elements that guide periodic adjustments and help ensure that efforts to implement the plan are efficient and effective.

OGDEN-HINCKLEY AIRPORT



KEY FINDINGS

- ✓ **1.1** Lack of Enforcement Appears to Have Led to Poor Hangar Management
- ✓ **1.2** Insufficient Planning and Management Have Hindered Financial and Operational Improvement
- ✓ **2.1** Implementation of Local Government Best Practices Can Help OGD Operate More Efficiently and Effectively
- ✓ **2.2** Risk of Misuse or Abuse of Airport Funds Appears Minimal



RECOMMENDATIONS

- ✓ **1.1** Ogden-Hinckley Airport should develop and follow a periodic inspection process to ensure that all hangars comply with FAA hangar use requirements and *Ogden City Code*.
- ✓ **1.3** Ogden City should follow industry guidelines and develop a process to update its airport master plan every ten years or when local aviation conditions change.
- ✓ **2.1** Ogden-Hinckley Airport should improve its master plan by establishing performance measures that can be evaluated to track progress toward the plan's vision.
- ✓ **2.2** Ogden-Hinckley Airport should formalize a process to analyze whether its allocation of resources drives the airport toward its vision and goals.
- ✓ **2.3** Ogden-Hinckley Airport should communicate the results of using the Management Cycle framework with relevant stakeholders, including the Airport Advisory Committee, the City Council, and the mayor. This communication should indicate whether implemented strategies were successful in achieving the vision of the master plan and, if not, what adjustments will be made to the strategies.

Summary continues on back >>



REPORT SUMMARY

Lack of Enforcement Appears to Have Led to Poor Hangar Management

About half of the hangars (126/244) have no building and code inspection on record. Additionally, 22 hangars have no functioning aircraft and for 43 more hangars there is no aircraft information. Airport staff have begun to inspect hangars more regularly and would benefit from formalizing this process as it could prevent the jeopardization of federal funding.

Insufficient Planning and Management Has Hindered Financial and Operational Improvement

The airport has consistently operated with a yearly deficit ranging from \$160,000 to \$1.7 million since 2006. But despite a decade-long

focus to minimize the deficit, it has not consistently improved. We believe a significant factor in this has been insufficient planning.

Implementation of Local Government Best Practices Can Help OGD Operate More Efficiently and Effectively

The City believes the airport's 2020 Master Plan can help decrease the airport's operating loss; however, we could not find performance metrics or other processes that are vital parts of monitoring, evaluating, and adjusting the airport's efforts to improve.

Without these processes, efforts to improve the airport may not support the vision of the master plan and large investments may not yield commensurate results.

The Airport Has Had an Operating Loss Every Year Since 2006

The City expressed a desire in 2013 to decrease the operating loss at the airport. The loss hit a low in 2014, but there has not been a consistent or sustained decline. Consistent with other issues discussed in the report, the City would benefit from setting specific targets and evaluating its efforts to decrease the loss to see which strategies work and which do not.



Table of Contents

Introduction	1
This Report Does Not Address Ongoing Litigation Concerns between the City and Hangar Owners.....	1
Chapter 1 Lack of Oversight Over Operational and Financial Functions Impeded Airport Progress	5
1.1 Lack of Enforcement Appears to Have Led to Poor Hangar Management	5
1.2 Insufficient Planning and Management Have Hindered Financial and Operational Improvement	9
Chapter 2 OGD Should Implement Local Government Best Practices to Ensure That Investments Yield Results.....	17
2.1 Implementation of Local Government Best Practices Can Help OGD Operate More Efficiently and Effectively	17
2.2 Risk of Misuse or Abuse of Airport Funds Appears Minimal.....	23
Complete List of Audit Recommendations	27
Agency Response	31





Introduction

Ogden-Hinckley Airport (OGD, or the airport) is a municipal airport, owned and managed by Ogden City (the City), the airport sponsor.¹ It is considered an important asset to the community and serves various user groups, including private aircraft owners, corporate aviation, non-scheduled air cargo operators, military, air taxi, and commercial passenger services. In 2020, OGD released a master plan that is designed to accommodate the different types of aviation demand and maximize the use of airport property. The City envisions the airport further establishing itself as an economic engine by developing general aviation, commercial service growth, and aeronautical business opportunities. OGD has faced challenges in moving forward with this plan. This audit report focuses on how airport management can improve to help advance the master plan. We recognize that there are other concerns at the airport regarding leases and hangars. These issues are not addressed in this audit because they are the subject of ongoing litigation.

This Report Does Not Address Ongoing Litigation Concerns between the City and Hangar Owners

Ogden City and OGD are in ongoing litigation with hangar owners at the airport. The lawsuits were prompted by a change in the City's approach to ground leases at the airport. The main claims are that the City has improperly taken hangars from airport tenants, wrongly evicted tenants from their hangars, and increased lease rates beyond what the lease agreements allow. The City argues that the lease agreements and City Code allow for the City to take control of hangars at the end of the leases through reversionary rights if the owner does not want to move the hangar elsewhere.

The City owns the land at the airport and leases it to airport tenants through ground leases. Tenants then own the improvements (i.e., hangars) on the ground they are leasing. For many years, the airport "automatically" renewed these ground leases with hangar owners who requested to do so when their lease expired. That practice changed during the last few years, as the City started enforcing Reversionary and Abandonment Clauses in the lease agreements, which would turn over the ownership of the hangars to the City.

¹ An airport sponsor is a public agency with control of a public-use airport.



Per policy,² the Office of the Legislative Auditor General does not offer an opinion on what the outcome of the lawsuits should be. Accordingly, this audit does not focus on the claims in the lawsuits, and we provide no opinion or information on the lawsuits beyond outlining the current state of the litigation. Hangar management includes the management of leases as well as inspecting and ensuring that hangars meet City and federal requirements. Our review of the airport focuses on operational best practices for strategic planning and fiscal management. We provide recommendations for the airport and City to improve airport operations, which includes the inspection of hangars, but not how to manage leases. We also review OGD's operational and fiscal management.



Per policy, our audit does not address issues related to ongoing litigation between Ogden City and hangar owners.

² Audit Subcommittee of the Legislative Management Committee and Office of the Legislative Auditor General, *Approved Practices and Policies of the Legislative Audit Subcommittee*, Policy 4.0.

BACKGROUND

There is evidence that the management of Ogden-Hinckley Airport (OGD) was insufficient in the past, contributing to poor conditions and strained relationships at the airport. OGD is obligated to follow federal requirements called grant assurances. While the FAA is content with the airport's direction to improve compliance, issues related to past management are still being resolved. Recent directives from Ogden City management show a renewed interest in fostering effective and efficient airport operations.

FINDING 1.1 **Lack of Enforcement Appears to** **Have Led to Poor Hangar** **Management**

RECOMMENDATION 1.1

Ogden-Hinckley Airport should develop and follow a periodic inspection process to ensure that all hangars comply with FAA hangar use requirements and *Ogden City Code*.

RECOMMENDATION 1.2

Ogden City should develop requirements that are mandatory for the airport manager.

FINDING 1.2 **Insufficient Planning and** **Management Have Hindered** **Financial and Operational** **Improvement**

RECOMMENDATION 1.3

Ogden City should follow industry guidelines and develop a process to update its airport master plan every ten years or when local aviation conditions change.



CONCLUSION

Recent efforts to mitigate operating losses at the airport, along with the creation of a new master plan in 2020, suggest that expectations for OGD operations are changing; however, improvement in airport operations is needed to meet those expectations. Clear processes should be developed to ensure that master plans are updated in the future and that the airport is in compliance with FAA grant assurances.





Chapter 1

Lack of Oversight Over Operational and Financial Functions Impeded Airport Progress

A review of the operations of Ogden-Hinckley Airport (OGD, or the airport) indicates that the airport was not a priority to city governance for many years. Our analysis shows that OGD should review its compliance with federal guidelines to ensure that federal funding is not in jeopardy. This funding is important for the efficient and effective management of OGD. Additionally, insufficient oversight has contributed to hangars being used inappropriately and in states of disrepair. OGD is attempting to remedy this; however, there is ongoing litigation between Ogden City (the City) and airport hangar owners regarding other issues related to the hangars. Per office policy, the Office of the Legislative Auditor General does not address issues currently under litigation. Our audit therefore focuses solely on federal hangar use requirements that are not stated in the litigation. Another concern is that between 2006 and 2022, the airport consistently operated with an annual deficit ranging from about \$160,000 to \$1.7 million. While the airport is not required to be revenue neutral, we believe poor planning has prevented progress toward decreasing the airport's operating deficit. Furthermore, miscommunication and questions about the management of the airport have complicated the City's relationship with Weber County. This has hindered a tax increment financing (TIF) agreement that could bring \$120 million to the airport.



From 2006 to 2022, OGD had an annual operating deficit ranging from \$160,000 to \$1.7 million.

1.1 Lack of Enforcement Appears to Have Led to Poor Hangar Management

Public airports that receive federal funds are obligated to follow hangar use requirements. These requirements are part of a broader set of federal obligations, called grant assurances, that airports that accept federal funds are obligated to follow. Noncompliance with these requirements is likely to be corrected through training and education, but egregious noncompliance could lead to the withholding of millions of dollars of federal funding. OGD has begun more regular inspections of the hangars to identify any conditions that could jeopardize federal funding, including hangars without aircraft and hangars with evidence of living quarters. We believe the practice of more frequent inspections can help the airport be more compliant with grant assurances moving forward.



The Federal Aviation Administration (FAA) requires that hangars be used only for aeronautical purposes. Some discretion is given to local authorities to allow non-aeronautical activities that do not impact the appropriate aeronautical uses of the hangar. Specific prohibitions include:³

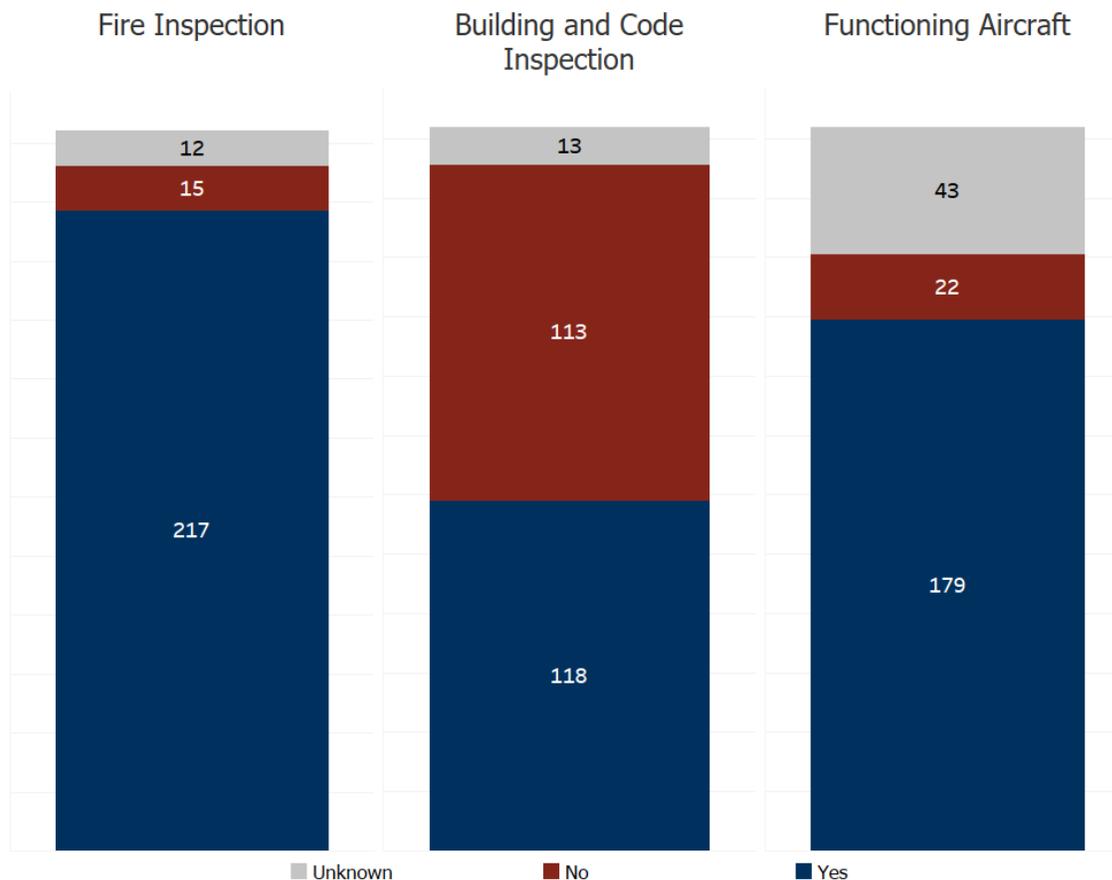
- Use as a residence.
- Activities which impede the movement of the aircraft in and out of the hangar or other aeronautical contents of the hangar.
- Storage of household items that could be stored in commercial storage facilities.
- Long-term storage of derelict aircraft and parts.

To monitor compliance with these requirements, airport staff recently created a list of all the hangars at OGD. The list indicates the hangar owner, the status of the hangar lease, and important information regarding the physical state of the hangar. Specifically, the list shows whether the hangar has a building and code inspection on record, if it has passed a fire inspection, and if it stores a functioning aircraft. We found that a little more than half of the hangars (126/244) have no record of a building and code inspection, as shown in Figure 1.1.

³ FAA, *Frequently Asked Questions & Answers On FAA Policy on Use of Hangars at Obligated Airports*.



Figure 1.1 52 Percent of Hangars at OGD Do Not Have a Building and Code Inspection on Record. The lack of inspection means that many hangars may have received a lease renewal without confirming that they met building code and FAA guidelines.



Source: Auditor generated – Ogden-Hinckley Airport.

Since many of the hangars without a building inspection on file are older than twenty-five years—and because leases from that time only granted up to twenty-five years for an initial lease—it is plausible that many of the leases were renewed without a hangar inspection to verify that the hangar was up to code. While not required by the City, regular monitoring or inspection of the hangars is a best practice and would help OGD be more compliant with FAA grant



Noncompliance could jeopardize federal funding.

assurances. It is important that OGD be in clear adherence with grant assurances, as significant funds are contingent on following them.

OGD’s hangar list indicates that there are hangars that have evidence of living quarters. In addition, Figure 1.1 shows that twenty-two hangars do not have functioning aircraft. For forty-three other hangars, OGD has no information regarding the presence of functioning aircraft. Regular inspections could help address these conditions. In 1999, the Government Accountability Office



reported that greater oversight was needed from the FAA to prevent unauthorized land use at airports, including misuse of hangars. Subsequently, the FAA has encouraged airports to “monitor the use of hangars on the airport and take steps to prevent unapproved non-aeronautical use.”

Prior to 2021, the only reference to hangar building standards in Ogden City policy mandated that lessees “maintain the leased premises in a reasonable



Previous hangar inspection policies appear to have been inadequate.

condition of repair, cleanliness and general maintenance.” That policy appears to have been inadequate, however, as City minutes from nearly a decade ago indicate that improper hangar usage had been a problem for many years at OGD.

In 2021, Ogden added the following to its *City Code*:

“prior to making an offer of lease renewal, the airport manager may have the leased premises inspected by city personnel to ensure that the leased premises are being used consistent with the lease agreement and all airport codes and policies, and that the premises are in a safe condition and not in violation of the then current international property maintenance code.”

This policy does not require all hangars to be inspected before a lease renewal. However, the policy does increase the likelihood that hangars with issues will be found before the hangar receives a lease renewal and that any noncompliance with FAA guidelines or international property maintenance code will be resolved. An FAA representative told our audit team that they are content with the work OGD has done so far to improve hangar use. Better monitoring of hangar use can help the airport meet another aspect of its redevelopment plan, namely, to improve the condition of the airport “to ensure its future economic and operational viability.” The airport can take various approaches to achieve this, but collaboration with airport stakeholders is an important aspect of this work, as will be discussed in the next section of this chapter.

Documents dating back to 1994 raise concerns about airport management. During our audit process, we were told that none of the three previous managers (since 2002) had airport management accreditation. Recognizing that there are no federal, state, or local requirements for airport managers, we recommend that the City develop requirements that are mandatory for the OGD airport manager. Such requirements should help ensure



Concerns about airport management have persisted for several decades.



that managers have experience with and knowledge of airport management and FAA guidelines.

RECOMMENDATION 1.1

Ogden-Hinckley Airport should develop and follow a periodic inspection process to ensure that all hangars comply with FAA hangar use requirements and *Ogden City Code*.

RECOMMENDATION 1.2

Ogden City should develop requirements that are mandatory for the airport manager.

1.2 Insufficient Planning and Management Have Hindered Financial and Operational Improvement

From 2006 to 2022, the operating loss at the airport ranged from about \$160,000 to \$1.7 million. The City subsidized this loss with money from its General Fund or Business Depot Ogden Fund (a total of \$15 million). For a decade, the City has focused on decreasing the operating loss at OGD, with little success. A significant factor in this stagnation has been insufficient planning; specific goals for financial improvement have been neither set nor monitored. After releasing an airport master plan in 1994, the City did not release another master plan until 2020. Industry guidelines recommend that airport sponsors update their plan every ten years. The lack of a current master plan left the development and performance objectives for the airport unclear; however, the City believes that adherence to OGD's 2020 Master Plan will help decrease the airport's operating loss. Even with a new plan and management in place, the City still has work to do in improving relationships with airport stakeholders.



OGD did not release a new master plan for twenty-six years.

Consistent Operating Deficits and Delayed Master Planning Indicate That the Airport Was Not a Priority in the Past

Prior to 2020, the last time Ogden City updated the airport master plan was in 1994, contrary to industry guidelines and the City's own general plan. Our office's *Best Practice Handbook* states:

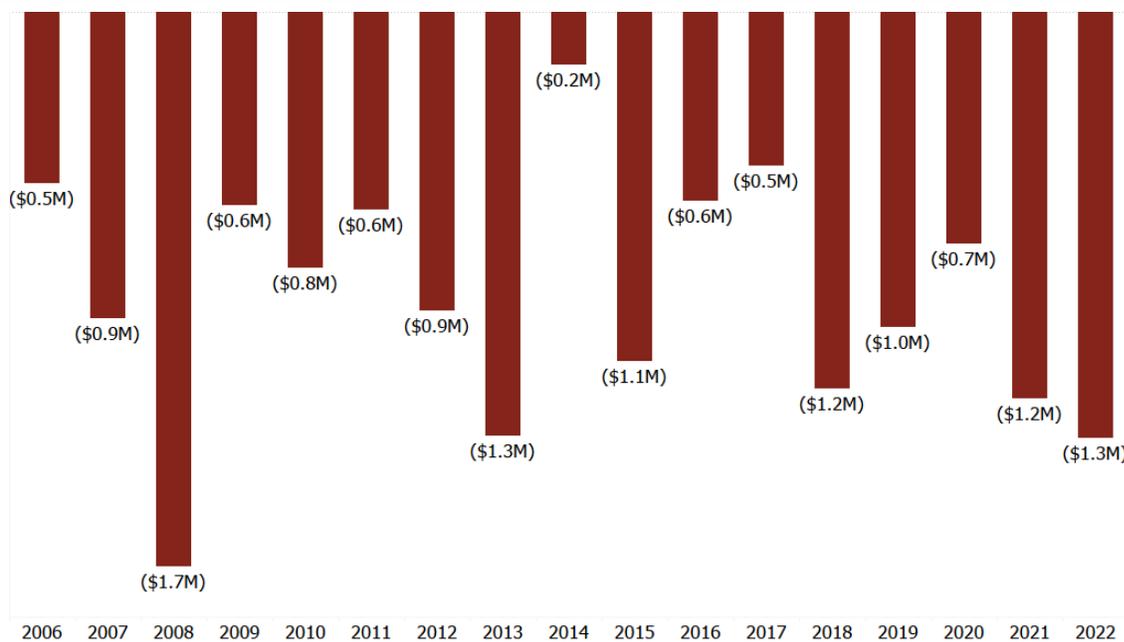


Best Practice Handbook

"A strategic plan can clarify organizational priorities and define what the agency seeks to accomplish."

The absence of an updated strategic plan from 1994 to 2020 made it unclear what the objectives for the airport were, or whether they were achieved. Furthermore, the City had expressed a desire in 2013 to decrease OGD's operating loss but did not define specific goals or objectives for doing so. Figure 1.2 shows that since 2006, OGD has consistently operated at a deficit, ranging from about \$160,000 to \$1.7 million, with no consistency in decreasing the deficit.⁴

Figure 1.2 The Airport Has Had an Operating Loss Every Year Since 2006. The lack of consistency in decreasing the loss suggests the need for improvement.



Source: Auditor generated – FAA; Ogden City.
All values adjusted to reflect 2023 dollars.

While the airport is not federally required to be revenue neutral, because airport deficits have been covered by the City's General Fund, City management has wanted to diminish the operating loss to decrease the amount of taxpayer dollars spent at the airport. An updated master plan could have helped guide the

⁴ The airport received federal funding stemming from the COVID-19 pandemic which, unlike normal federal funding, could be used to cover airport operating costs. The airport used some of this funding to cover such costs, but the methodology and data used to calculate the operating revenue/loss were not structured to include that funding as operating revenue since federal funding normally is not considered operating revenue. Thus, the operating losses since 2018 are inflated to some degree.



development of the airport as it began commercial airline service and focused on decreasing the operating deficit. We believe insufficient planning and management have hindered improvement at OGD.

Various sources recommend that airport sponsors update their master plan every ten years or when local aviation needs change. The City's general plan had set the goal to update the plan every ten years. Those updates should have happened in 2005 and 2015. Significantly, between 1994 and 2020, the airport began offering commercial airline services, which we believe constituted a change in local aviation needs. Ogden City should develop a process to periodically update its airport master plan in accordance with industry guidelines (about every ten years or when local aviation conditions change).

To improve airport operations, OGD released a new master plan in 2020 with a three-fold vision to foster 1) general aviation, 2) commercial service growth, and 3) aeronautical business opportunities at the airport. The plan follows the basic structure outlined by the FAA, complies with FAA standards, and is the City's strategy for future development at the airport. The plan is intended to accommodate demand from various types of airport users and encourage effective and efficient use of airport land. The City believes that implementing the three elements in OGD's vision will help boost overall revenue at the airport, in turn helping to decrease the operating loss.



OGD's 2020 master plan focuses on general aviation, commercial services, and aeronautical business opportunities.

The Master Plan is in place; however, the necessary processes are not in place to monitor and report on the plan's progress.

This is addressed in Chapter 2, where we describe how the airport can implement elements from our *Best Practice Handbook* to improve its planning process.

While Management Has Improved, Relationship Issues with Airport Stakeholders Still Exist

While we recognize that efforts have been made to improve the airport in recent years, recent comments from Ogden City's mayor suggest there is still much to be done, particularly to improve relationships between the City, airport management, and airport stakeholders. In November 2023, the Ogden City Council approved a budget proposal to bring in a new commercial flight route to OGD. This approval was not unanimous, as some council members expressed concern about how approving the proposal would impact already strained



relationships at the airport. After stating his desire for a successful airport, then council member (now mayor) Ben Nadolski said:⁵

Ogden Mayor Ben Nadolski

“I also want a process preceding us that helps us make better decisions; that doesn’t put us in these weird positions.... And I’ve learned this lesson time and time and time again. We need an airport community that works, and we don’t have one, and this is the consequence. We don’t have a committee to advise us on this, and this is the consequence of it.... I feel torn between user groups in the same place.... We need some level of collaboration out there that doesn’t exist, and that’s putting us in a hard spot tonight.”

Litigation between the City and Some Hangar Owners Is Ongoing: A significant issue that is currently unresolved is the ongoing litigation between Ogden City and hangar owners at OGD. Ogden City uses ground leases to lease airport land to individual businesses and citizens, who then build and own the hangars on the ground. This is a standard practice for general aviation airports. For many years, OGD “automatically” renewed its ground leases with hangar owners who requested to do so when their lease expired. The lease renewal process changed during the last few years, prompting frustration and confusion with hangar owners.

Miscommunication and Unresponsiveness at OGD Have Hindered Progress on a \$120 million TIF Agreement with Weber County: To raise money for airport redevelopment, Ogden City has worked on TIF agreements with various stakeholders. Most recently, the City has been working on a new TIF agreement with Weber County, Ogden School District, and Central Weber Sewer District to raise nearly \$120 million in TIF funding. As originally proposed, the money would have been collected from 2023 through 2048 and could have been used for OGD to develop utilities and infrastructure, promote development and private investment at the airport, and improve the general transportation system related to the airport.

In 2021, Ogden City proposed this project to Weber County (the County), and the Weber County Commission signed an interlocal agreement for it in September 2021. By November 2022, the County still had not received interlocal agreements from Ogden City or from the other stakeholders in the agreement. The County informed the City that it needed to provide the other agreements in order to meet

⁵ We recognize that the Airport Advisory Committee was reestablished in December 2023.



the trigger date of January 1, 2023. However, the City did not approve this project until June 2023.



Weber County paused its collaboration on a TIF agreement with the airport due to poor communication and concerns about OGD.

Unaware that the project was still under consideration, the County asked for more information from the City before renegotiating the terms of the interlocal agreement. The County had trouble getting this information from the City. Before a new agreement could be renegotiated, the County became concerned that airport issues—including this audit—were part of a Legislative Political Subdivision Subcommittee meeting. The County then informed

the City of its decision to postpone consideration of the TIF agreement until after the 2024 legislative session. Thus, poor communication has affected the City’s relationship with the County, hindering a TIF agreement that could help fund further development at the airport.

RECOMMENDATION 1.3

Ogden City should follow aviation guidelines and develop a process to update its airport master plan every ten years or when local aviation conditions change.



BACKGROUND

OGD has estimated that up to \$454 million could be invested at the airport in redevelopment efforts through 2038; however, we are concerned that without the proper processes in place, significant investments may not produce adequate results. As outlined in our office's *Best Practice Handbook*, performance measures and other feedback elements for strategic planning can help OGD more closely monitor its redevelopment efforts. Such monitoring can guide adjustments to OGD's redevelopment efforts to ensure that they support the master plan.

FINDING 2.1

Implementation of Local Government Best Practices Can Help OGD Operate More Efficiently and Effectively

RECOMMENDATION 2.1

Ogden-Hinckley Airport should improve its master plan by establishing performance measures that can be evaluated to track progress toward the plan's vision.

RECOMMENDATION 2.2

Ogden-Hinckley Airport should formalize a process to analyze whether its allocation of resources drives the airport toward its vision and goals.

RECOMMENDATION 2.3

Ogden-Hinckley Airport should communicate the results of using the Management Cycle framework with relevant stakeholders, including the Airport Advisory Committee, the City Council, and the mayor. This communication should indicate whether implemented strategies were successful in achieving the vision of the master plan and, if not, what adjustments will be made to the strategies.

FINDING 2.2

Risk of Misuse or Abuse of Airport Funds Appears Minimal

NO RECOMMENDATION



CONCLUSION

We found that OGD's master plan is missing important elements for evaluating and adjusting the plan as staff work to implement it. OGD should incorporate these elements in its redevelopment efforts to ensure that large investments at the airport, along with its operating revenues and expenses, are optimized and drive the master plan forward.





Chapter 2

OGD Should Implement Local Government Best Practices to Ensure That Investments Yield Results

The 2020 Master Plan for Ogden-Hinckley Airport (OGD, or the airport) estimates a potential investment of \$454 million at the airport through 2038. However, the plan lacks performance measures and processes that are necessary to monitor progress and help ensure that investments at the airport yield desired results. Local government best practices found in our *Best Practice Handbook* can help OGD establish necessary elements and processes to support the implementation and evaluation of the plan. In our review of OGD's finances, we did not find evidence of misuse or abuse of funds, suggesting that the most significant monetary risk is that significant investments at OGD may not yield adequate results. It is not uncommon for airports to have an operating deficit like OGD does; however, OGD's annual deficits tended to be larger than those of other airports we sampled. OGD should evaluate its resource utilization to ensure that significant investments at the airport are optimized and advance the 2020 Master Plan.



Performance metrics and processes to monitor progress toward fulfilling OGD's 2020 master plan were difficult to identify.

2.1 Implementation of Local Government Best Practices Can Help OGD Operate More Efficiently and Effectively

As discussed in Chapter 1 of this report, the airport has operated with a financial loss every year since 2006. The average yearly loss at the airport is nearly \$885,000. The money to cover this loss generally has come from the General Fund of Ogden City (the City). During our audit process, City employees told us that about a decade ago, City management directed the airport to decrease the operating loss and therefore reduce taxpayer dollars used to cover OGD's losses. However, there are no official processes in place to measure and evaluate progress toward that objective, and progress has not been consistent.

As public entities, Ogden City and OGD should be good stewards of taxpayer dollars. Furthermore, while OGD may not be able to become revenue neutral, it is nevertheless federally obligated to "establish long-term goals and strategies to make the airport as financially self-sustaining as possible."

The City believes that following the 2020 Master Plan will reduce operating losses at the airport and lead OGD to be more self-sustaining. The new plan established a vision for the airport, with supporting objectives and strategies found in the City’s general plan. While the plan is established, performance metrics and processes to track the progress and effectiveness of efforts to carry out the master plan are not evident.

In this respect, OGD can benefit from the implementation of government best practices found in our office’s *Best Practice Handbook*. The handbook explains the Management Cycle that organizations or programs should follow to advance their mission and goals. The cycle contains three phases, depicted in the figure to the right: 1) Plan, 2) Implement, and 3)



Evaluate. These phases represent a continuous cycle, which, if followed, assists organizations in building evidence that shows which strategies successfully support the plan and which ones should be adjusted. There are twelve best practices that span the three phases of the cycle, as shown below.



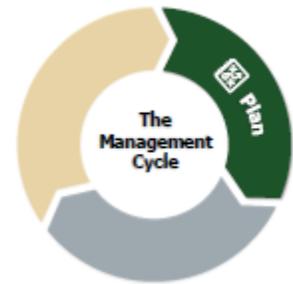
Source: *Best Practice Handbook – Office of the Legislative Auditor General.*

These best practices counteract twelve pitfalls that have been commonly reported in our past audits. The best practices also can guide organizations through the Management Cycle—creating a plan, implementing it, evaluating how it is working, refining and adjusting the plan based on the evaluation, and then

continuing through the cycle again. In organizations that do not follow this cycle, plans may become stagnant and may not be implemented or effective.

The Master Plan Should Be Bolstered by Performance Measures That Guide Refinement of the Plan

The first best practice in our office’s *Best Practice Handbook* is to “develop and refine a strategic plan.” OGD’s 2020 Master Plan represents such a plan. The plan states that its vision is to foster 1) general aviation, 2) commercial service growth, and 3) aeronautical business opportunities. While this vision articulates what the airport aspires to, elements that could show progress and guide efforts to refine the plan are missing.



As no plan is perfect, there should be feedback loops built into any plan. This can be done by creating the elements of a strategic plan shown in the graphic below.

Strategic Plan Element	What It Is	Does OGD Have It?
Vision	What the agency aspires to	Yes
Mission	What the agency does and how it does it	No
Core Values	Enduring, non-negotiable principles that the agency is truly committed to	No
Goals	Long-term outcomes that lead to the fulfillment of the vision	Yes
Objectives	Mid-range targets that create a bridge between high-level goals and tactical strategies	Yes
Strategies	Short-term tactics to implement agency goals	Yes
Performance Measures	Quantifiable representation of an end result or goal	No
Annual Work Plan	Maps out how the agency puts the strategic plan into action	No

Source: Governor’s Office of Planning and Budget.

The elements summarized on the previous page allow the progress of a strategic plan to be evaluated, which in turn feeds the refinement of the plan. As shown in the table, OGD’s plan includes only half of the elements. Specifically, we note the lack of performance measures. Performance measures play a vital role in moving an organization toward its objectives and goals which we will discuss in the following section on the “Evaluate” phase. As such, OGD’s use of the *Best Practice Handbook* should focus on the “Implement” and “Evaluate” phases of the Management Cycle.



Performance measures play a vital role in moving an organization toward its objectives and goals.

We also note that the airport has initiated work with a consultant, which is still in process. The City informed the audit team that one of the issues to address with the consultant is improving OGD’s Minimum Standards and Rules and Regulations. These two sets of documents are the standards (see best practice #2) that guide operations at the airport for all users—the public, commercial airlines, and private aeronautical businesses. Beyond promoting safety and compliance with guidelines of the Federal Aviation Administration (FAA), the standards can promote orderly land development and distinguish between satisfactory and unsatisfactory levels of service provided by businesses at the airport. It is important that the airport’s standards specify sufficient levels of operational quality as to support the vision found in the master plan. The airport should finish its work with the consultant to update these standards.

Without an Evaluation Process, OGD’s Efforts to Develop the Airport May Not Support the Master Plan’s Vision

While City staff were able to talk us through the measures they believed to be tied to the master plan’s vision, they noted that those measures have not been formalized. Indeed, in our review of the 2020 Master Plan and the airport section of Ogden City’s General Plan, we could not identify a clear set of performance measures. In other words, OGD has not defined what success looks like based on its three-fold mission to foster general aviation, commercial services, and aeronautical business opportunities. Without performance measures, it is difficult to measure whether progress is being made in accomplishing the vision of the master plan (whether the plan is effective). The lack of performance measures is also a hindrance for evaluating whether the airport’s current efforts and initiatives could be improved (whether the plan is efficient).





Best Practice Handbook

“Organizational leaders should evaluate the extent to which they are effective in reaching goals. It is important to document successes as well as failures. Understanding why a strategy is or is not working can enable organizations to intervene and resolve the root cause of an issue.”

To support its vision, OGD should establish a balanced set of performance measures that tie its goals to the vision. A good set of performance measures should be carefully selected and should “emphasize critical activities, high-risk areas, and information requested by stakeholders.” Additionally, the measures should be calibrated to avoid distortion or bad incentives. OGD may need to decide whether any new data points need to be collected. Further guidance on selecting performance measures is found in Section 4.4 of our office’s [Best Practice Handbook](#) and in the [Guide to Strategic Planning](#), published by the Governor’s Office of Planning and Budget.

Large Investments at the Airport May Not Yield Results without an Evaluation of Development Efforts: OGD should also standardize a process for evaluating the performance measures they need to establish. Standardization helps to ensure the reliability and objectivity of evaluations, preventing them from deviating to questionable practices or untrustworthy sources. This process should identify which operations and initiatives at the airport are successfully driving OGD toward its vision, and which ones are not producing their intended outcomes. The results of this evaluation process should guide decision-making about whether any goals, objectives, processes, or strategies in the airport’s master plan need to be adjusted.

This type of evaluation process is important because the twenty-year vision of the master plan estimates a potential total investment of \$454 million dollars into the airport. Some of this money will come from the federal government, some from the City, and some will need to come from third-party investors (e.g., private investment or state funding). Given the significant sum of potential investments, OGD also should provide relevant stakeholders with information on how such funds are being used. The airport should communicate whether its development efforts and initiatives are effectively furthering OGD’s vision and, if not, what adjustments will be made to improve. Effective communication can support the implementation and success of the master plan, while ineffective communication can leave stakeholders confused and diminishes the transparency of the airport. The airport’s advisory



Without a process to evaluate its redevelopment efforts, OGD’s investments may not yield desired results.

and governing bodies, including the City Council and the Airport Advisory Committee, should hold OGD accountable for successfully implementing the master plan.

OGD Should Formalize Processes to Analyze the Allocation of Resources

Most of our concerns with the best practices that fall in the “Implement” phase were addressed in Chapter 1 of this report. The *Best Practice Handbook* states that “policies and procedures, oversight, resource decisions, and training are all important vehicles for implementing the plan.” The City adopted new policies and procedures in 2021 to guide operations and development at the airport. The City also decided to hire an airport manager with airport management training and experience. It is now up to the airport and the City to create and implement processes that will ensure that the policies are followed. This should help prevent noncompliance from hindering the implementation of the master plan. The effectiveness of these policies should be regularly reviewed.



Another aspect of the “Implement” phase is to optimize resources. This means deploying resources in a way that achieves the vision of the master plan. Optimization decisions “should be grounded in relevant data and meaningful performance measures.” As the plan does not have clearly defined performance measures, it was difficult to find this type of evidence-based analysis at OGD. It



OGD’s governing and advisory bodies should ensure that resources are optimized to support fulfillment of the master plan’s vision.

appears that there is no formalized process for this type of resource analysis. Therefore, we recommend that OGD formalize a process to analyze whether the resources used at the airport support the goals and vision of the master plan. Again, the City Council and Airport Advisory Committee should review OGD’s efforts and provide oversight as to whether the master plan’s vision is being achieved.

RECOMMENDATION 2.1

Ogden-Hinckley Airport should improve its master plan by establishing performance measures that can be evaluated to track progress toward the plan’s vision.



RECOMMENDATION 2.2

Ogden-Hinckley Airport should formalize a process to analyze whether its allocation of resources drives the airport toward its vision and goals.

RECOMMENDATION 2.3

Ogden-Hinckley Airport should communicate the results of using the Management Cycle framework with relevant stakeholders, including the Airport Advisory Committee, the City Council, and the mayor. This communication should indicate whether implemented strategies were successful in achieving the vision of the master plan and, if not, what adjustments will be made to the strategies.

2.2 Risk of Misuse or Abuse of Airport Funds Appears Minimal

The legislative request for this audit asked us to look at financial compliance concerns. We were unable to substantiate any claims of misuse or abuse of funds and found that financial controls to detect such misuse seem sufficient. We also were asked to investigate the airport's use of \$10 million that the State Legislature appropriated to the City for development of the west side of the airport. We found the use of this money to be in close alignment with the estimates in the City's request for appropriations, but despite the City's efforts, the investment has not fully yielded its expected results. Lastly, in a sample of other airports in and out of Utah, we found that it is not uncommon for airports to have an operating loss; however, OGD's losses are larger than the losses at other airports.

Our Review Did Not Find Evidence Suggesting Reasons to Challenge the Findings of Other Audits

Two main concerns were brought to our attention regarding OGD's financial compliance. One concern was whether the airport had inappropriately categorized various revenue streams that should have counted as airport operating revenue. Second, and relatedly, was a question of whether OGD diverted airport revenue to the City for purposes other than airport capital or operating costs. This would constitute revenue diversion and would make the airport noncompliant with federal grant assurances.

In its definition of airport revenue, the FAA includes state or local taxes on aviation fuel but does not indicate any other taxes that qualify. In 2021, the State

Auditor reported that “airport revenues do not include sales and use taxes on the sale of goods or services, property taxes, or revenue derived from the payment of utilities by Airport tenants.” This indicates that OGD is correctly excluding those items from its operating revenue. Furthermore, aircraft registration fees are assessed by the state and federal government, which leads our audit team to conclude that such fees do not qualify as airport revenue. Accordingly, OGD has correctly excluded this item from its operating revenue. In our review, we did not see a reason to challenge the State Auditor’s conclusions.



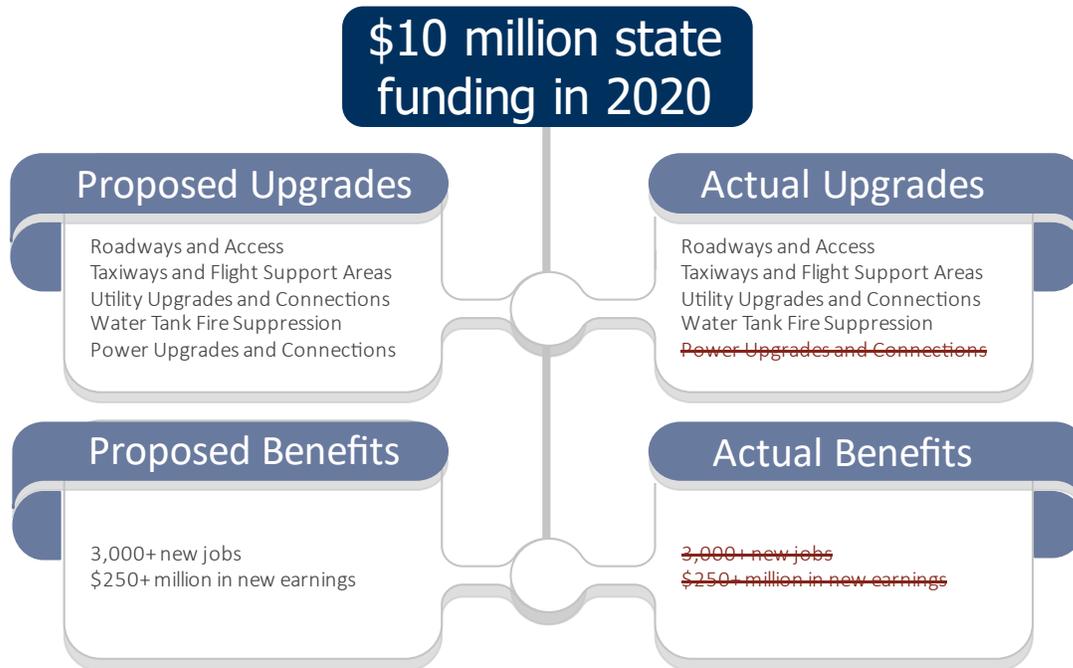
OGD receives money from the City to cover operating losses, supporting other audit findings that revenue diversion is not occurring.

Regarding the question of revenue diversion, our audit concluded that OGD receives funding from the City to cover airport losses, not the other way around. OGD is subject to yearly single audits, and its airport improvement grants were specifically audited in 2018, 2019, and 2021. These audits identified missing financial reports, but they did not find evidence of revenue diversion. OGD resolved the reporting

concerns, and our review did not identify any reason to challenge previous findings that revenue diversion is not occurring.

OGD Has Used State Appropriations Consistently with Its Appropriations Request, but the Benefits of the Investment Have Not Yet Materialized

In February 2020, the City requested \$10 million in state funding for infrastructure improvements to the airport that would support an Air Force project. The proposal projected that the new infrastructure could bring in thousands of new jobs and hundreds of millions of dollars in new earnings. OGD has used \$7.6 million of the funding. The majority of the spending has gone toward road construction and developing taxiways, with a small portion used to cover utility upgrades. These costs are in line with what the City estimated in 2020. As shown in the infographic on the next page, only the power upgrades remain uncompleted. This was delayed as the City contemplated changing the original plan to accommodate increased power demand, but the original plan is now set to be completed.



Source: Auditor Generated – Ogden City.

More concerning than the uncompleted upgrades is that the projected benefits of the state funding have not been fully realized. With this new infrastructure, the City believed OGD would be chosen for a contract that was supposed to begin by 2023, providing regional jobs and support for Hill Air Force Base. That project was ultimately cancelled, but the City has since worked on various other aerospace and aviation-related projects that could bring financial investment and jobs to the airport. Businesses have seriously considered OGD for several of the projects, but no contracts have been secured yet; however, it does not appear that this is because of incomplete infrastructure, but rather because potential contractors chose other sites or faced funding concerns. The City continues to market the west side of the airport for potential business opportunities and is currently engaged in talks for potential contracts.



The City is still working on securing contracts for the west side of the airport.

Beyond the \$10 million in state funding, OGD estimates that another \$454 million could be invested at the airport from federal, local, and private sources through 2038. It will be imperative for this level of investment to yield an appropriate return. Performance measures and evaluation processes can help measure the benefits of such investments. Thus, the most significant monetary risk at OGD is its grant funding, other public and private investments, and operating revenues and expenses not being optimized to drive the master plan forward.

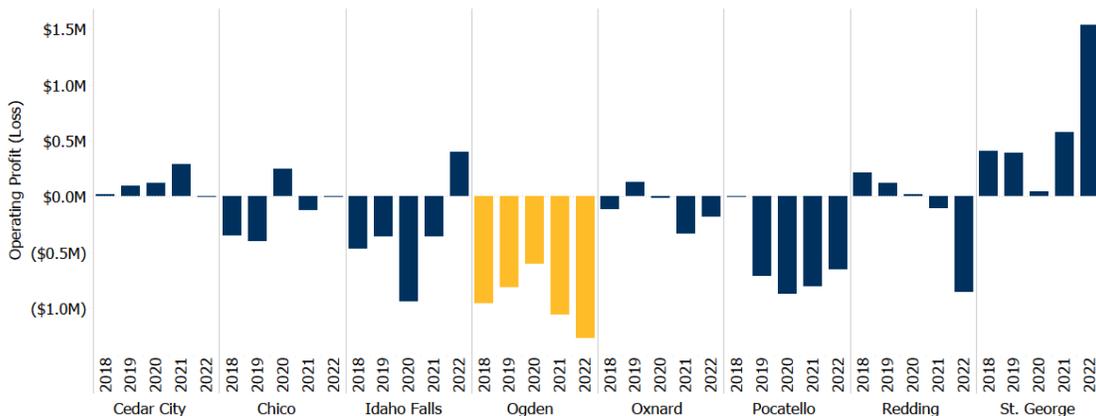
Following the Management Cycle Framework Can Help OGD Evaluate Its Efforts to Decrease Its Operating Loss

The request for this audit asked our office to examine the fiscal health of OGD and other municipal airports. FAA grant assurances obligate airports to operate “as self-sustaining as possible under the particular circumstances at the airport.”⁶ While having an operating profit is not a requirement—and may not even be possible for some airports—if this is a goal for Ogden City, it would be beneficial to officially adopt a goal to be self-sustaining and monitor progress toward the goal to see if it is feasible. We compared OGD’s financials against those of other airports in Utah and of airports in neighboring states. As summarized in Figure 2.2, OGD is not the only airport to report an operating deficit; however, it is one of only two airports in the sample that have not reported an operating profit since 2018.



OGD is one of two airports in our sample that have not reported an operating profit since 2018.

Figure 2.2 From 2018 to 2022, Several Airports That Are Comparable to OGD Reported an Operating Loss. OGD, however, is one of only two airports in our sample that have not reported a profit since 2018.



Source: Auditor Generated – FAA.

We recognize that every airport is unique; individual circumstances and economies create different business opportunities for each airport. Even so, Figure 2.2 shows that OGD’s deficit is bigger than that of other airports. If the City wants to decrease this deficit, it is imperative to address the issue by using the Management Cycle discussed previously in this chapter. Planning, implementing, and evaluating specific strategies and measures to gauge whether progress is being made toward this goal are essential. Doing so will show whether achieving revenue-neutral operations is feasible for OGD.

⁶ Airport Sponsor Assurances, May 2022, Assurance 24.



Complete List of Audit Recommendations





Complete List of Audit Recommendations

This report made the following six recommendations. The numbering convention assigned to each recommendation consists of its chapter followed by a period and recommendation number within that chapter.

Recommendation 1.1

We recommend that Ogden-Hinckley Airport develop and follow a periodic inspection process to ensure that all hangars comply with FAA hangar use requirements and *Ogden City Code*.

Recommendation 1.2

We recommend that Ogden City develop requirements that are mandatory for the airport manager.

Recommendation 1.3

We recommend that Ogden City follow industry guidelines and develop a process to periodically update its airport master plan every ten years or when local aviation conditions change.

Recommendation 2.1

We recommend that Ogden-Hinckley Airport improve its master plan by establishing performance measures that can be evaluated to track progress toward the plan's vision.

Recommendation 2.2

We recommend that Ogden-Hinckley Airport formalize a process to analyze whether its allocation of resources drives the airport towards its vision and goals.

Recommendation 2.3

We recommend that Ogden-Hinckley Airport communicate the results of using the Management Cycle framework with relevant stakeholders, including the Airport Advisory Committee, the City Council, and the mayor. This communication should indicate whether implemented strategies were successful in achieving the vision of the master plan and, if not, what adjustments will be made to the strategies.





Agency Response



olag.utah.gov

April 5, 2024



Office of the Mayor
2549 Washington Blvd.
Suite 910
Ogden, Utah 84401
www.ogdencity.com

Kade R. Minchey, CIA, CFE
Legislative Auditor General
W315 House Building State Capitol Complex
Salt Lake City, UT 84114

RE: Report No. 2024-02

Dear Mr. Minchey:

On behalf of the City of Ogden, I would like to express my gratitude for your time and diligence in the review of the Ogden-Hinckley Airport (OGD). Thank you for the opportunity to respond to the performance audit. We reviewed the report and suggested recommendations and find them to be precise and helpful in guiding future management of OGD.

The introduction and sharing of The Best Practice Handbook is helpful and appreciated. The outline and step-by-step process is applicable not only at OGD, but to many city processes. We feel that the items identified in the report will benefit from application of the management cycle of planning, implementation, and evaluation. The explanations and professionalism of your team throughout this process is commendable and exemplary.

In the spirit of collaboration OGD has recently contracted with a national airport consulting firm to assist in a review of all ordinances, policy & lease agreements for comparison to industry standard. It is anticipated that this will lead to the creation of best practices and procedures, and decision making utilizing the management cycle to guide policy and governance of OGD. It will also be the focus for creating quantifiable goals that can be measured to verify progress.

Ogden City appreciates the State of Utah's funding support for critical infrastructure at the airport and remains committed to completing the ongoing work while pursuing additional opportunities. The funding that has been provided by the State as well as City and Federal funds has placed OGD in contention for several large projects and the improvements will only strengthen our position and partnership.

Again, we appreciate your time and that of your team and look forward to continuing to work together to achieve our shared goals, while also reporting on our improvements as a result of the recommendations provided through this process.

Sincerely,

A handwritten signature in black ink, appearing to read "Ben Nadolski", written over a light blue horizontal line.

Ben Nadolski
Ogden City Mayor



THE MISSION OF THE LEGISLATIVE AUDITOR GENERAL IS TO

AUDIT · LEAD · ACHIEVE

WE HELP ORGANIZATIONS IMPROVE.
