

# **REPORT TO THE CITY COUNCIL**

*City of Salinas, California*

DATE: June 28, 2016

FROM: Gary E. Petersen, C.A.E., Director of Public Works

BY: Brett J. Godown, Airport Manager

SUBJECT: **ADOPTION OF A RESOLUTION APPROVING THE REVISED  
SCHEDULE OF RATES AND FEES FOR SALINAS MUNICIPAL  
AIRPORT**

## **RECOMMENDATION:**

It is recommended that the City Council approve a resolution adopting a revised Schedule of Rates and Fees for the Salinas Municipal Airport.

## **DISCUSSION:**

The Airport Division is an enterprise division within the Publics Works Department of the City of Salinas. As an enterprise fund, users of the airport provide the revenues to operate, maintain, and develop the facility. The Salinas Municipal Airport is a pubic self-sustaining enterprise that accepts no tax revenue for support. The Airport generates revenue from hangar rents, building rents, ground leases, fuel fees, rental income, and miscellaneous fees. In order to maintain the viability of the enterprise fund, fees must be levied to offset the day-to-day expenses, salaries, and proposed capital developments. Staff utilizes several methodologies for evaluating the rates and fees – most commonly are rates and fees surveys, facility rate comparisons, and the San Francisco Bay Area Consumer Price Index (CPI) measures each year.

While this request for fee adjustments focuses on Airport Rates and Fees, it is important to understand long term leases with the City (Jet West, CalStar, D'Arrigo, ServAero, and others) have built-in escalators based on the San Francisco Bay Area CPI or Fair Market Value Assessments. Staff continues to work diligently on businesses and land leases administered by the airport to make sure that other fees are maximized to support the airport as well.

The central issue to the annual rates and fees adjustment proposal is the need for airport rates and fees to generate revenues at levels that offset increases in the cost of operating and maintaining the airport. If revenues are kept current with costs, it is possible to build and retain reserves as opposed to depleting them. Reserve funds are used for capital projects and matching funds for FAA Grants (ACIP).

The Federal Aviation Administration (FAA) Airport Compliance Manual and federal obligation Grant Assurance 24 states, “Airports must maintain a fee and rental structure that makes the airport as financially self-sustaining as possible under the particular circumstances at that airport. The requirement recognizes that individual airports will differ in their ability to be fully self-sustaining, given differences in conditions at each airport. The purpose of the self-sustaining rule is to maintain the utility of the federal investment in the airport. At some airports, market conditions may not permit a sponsor to establish fees that are sufficiently high to recover aeronautical costs and sufficiently low to attract and retain commercial aeronautical services. In such circumstances, a sponsor's decision to charge rates that are below those needed to achieve self-sustainability in order to assure that services are provided to the public is not inherently inconsistent with the federal obligation to make the airport as self-sustaining as possible given its particular circumstances.”

The following are descriptions of rates and fees being recommended for adjustment in the FY 2016-17 Airport Rates and Fees Schedule:

#### *Airport Access Control*

The entry points to the airport are access controlled. Individuals or businesses who require access to the airport are required to provide a deposit for a gate/access card. When the individual or business no longer requires access to the airport, the cards can be returned and the deposit is then returned to the individual or business.

#### *Aircraft Parking Fees*

Aircraft parking overnight are assessed a fee. The fee assessed is based on size and type of aircraft. The larger the size and type, the greater the fee that is assessed. Overnight parking fees are standard fees assessed across the aviation/airport industry.

#### *Airport Storage Hangar Non-Aeronautical Hangar Policy (and Surcharge)*

The FAA requires all non-aeronautical uses at an airport to be assessed a comparable fee to the same type uses outside the fence of the airport. Airport staff will identify all units that are currently non-aeronautical and apply a surcharge on those uses. The tenants that choose to remain in the units after the policy goes into effect will be required to sign a new hangar permit with the City. The new permit will include new language covering the below policies. Additionally, the non-aeronautical surcharge will take effect at the signing of the new agreement. On average the cost per square foot annually for a City-owned hangar is \$3.30; for the same use outside the fence within the City of Salinas, the average cost per square for storage is \$13.39 per square foot annually. The average cost per square foot was acquired from Security Public Storage, Extra Space, Frontier Storage, and Salinas Self-Storage. Airport Staff worked with the FAA to develop non-aeronautical hangar storage permit that can be applied universally, fairly, and is compliant with the current FAA policy. The below policies are included in the storage permit that the FAA reviewed:

1. Hangars shall be used for non-aviation purposes only in cases where excess hangar capacity is unused due to low-aviation demand.
2. If there is a waiting list for hangars for aviation use, individuals on that list can exercise their right at any time or when their preferred type of hangar becomes available.

3. Non-aeronautical uses shall not displace aeronautical uses.
4. Should an aeronautical user request a hangar, the last-in non-aeronautical user who meets the request must vacate.
5. All non-aeronautical hangar use is authorized on a month-to-month basis only.
6. Non-aeronautical hangar users will be charged a surcharge on top of the aviation rental rates commensurate with rates for similar uses off airport (35% percent surcharge).
7. In storage hangars where aeronautical use is the predominant use, incidental storage of non-aviation items is permitted. Hangars with aircraft or are aeronautical in nature must maintain aeronautical utility and aeronautical-use must continue to be the predominant use. The aircraft must be able to freely be moved in and out of the hangar without being obstructed by non-aeronautical storage. Storage of non-aeronautical items must be stored in a manner that is in accordance with local fire and building codes.
8. No hangars shall be used as a residence on a temporary or full-time basis.

#### *Fuel Flowage Fees*

In lieu of a general landing fee for aircraft, a fuel flowage fee is assessed on 100LL and Jet-A fuel delivered to the airport. These fees are paid directly by the fuel transport company. The 100LL and Jet A fuel flowage fee is set at .08¢ per gallon. A fuel flowage fee in lieu of a landing fee is a standard practice at general aviation airports with limited staff and resources. Managing a landing fee system is labor intensive, cost prohibitive, and generally pushes general aviation traffic to other airports without a landing fee.

#### *Hangar Waitlists*

The Airport has an established waitlist for hangars. Airplane owners who desire to base their aircraft at Salinas pay a \$50.00 fee annually to reserve their name on the waitlist for a future vacant hangar. This fee is paid annually in January if they are not able or ready to rent a vacant hangar.

#### *Hazardous Material and Refuse Disposal*

From time to time City Staff is required to clean up or dispose of refuse. With the establishment of this fee, staff will be able recover the costs associated disposal activities. These fees will be assessed directly to the individual or business associated with the disposal.

#### **ANALYSIS:**

This year staff will be evaluating rates and fees that have not been adjusted in several years. This includes: fuel flowage fees, gate/access card fees, overnight and monthly aircraft parking fees, hangar waitlist fees, special event fees, and non-aeronautical hangar fees.

#### *Hangar Rents*

These fees are charges assessed for the month-to-month rental of City owned aircraft storage facilities. The City owns 240 storage units. These units range in size to accommodate large corporate jets, medium and small twin and single engine aircraft, to small storage units large enough to fit a few boxes. These facilities are rented out on a month-to-month term and fees are

adjusted on an annual basis. Hangar rents have been adjusted annually since 2007. This year no adjustments will be made to the hangars rents.

#### *Building Rents*

Building Rents are fees assessed for the rental of City-owned facilities such as the main hangar (Serv Aero), 240 Mortensen (R&B, Wilbur-Ellis, Jet West). These facilities are rented out with varying length of terms but generally more than one year in length. The fee adjustments are generally controlled by the lease agreements.

#### *Airport Access Control*

Currently gate cards are purchased for \$25.00 and Remote Controls for \$50.00. The fee is essentially a deposit, and when the device is returned the deposit is returned to the card holder. Staff recommends eliminating the refund. Devices are returned years after wear and tear on the device and is rarely ever put back into service. If the card is lost, additional cards and remotes can be purchased for the current prices. If the device malfunctions, the device will be replaced at no-cost, provided the device is returned.

#### *Aircraft Parking Fee*

Staff recommends adjusting single engines tie down rates from \$3.00 to \$5.00; multi-engine from \$5.00 to \$10.00; Jet from \$25.00 to \$50.00; and airship mooring from \$50.00 to \$100.00.

#### *Airport Storage Hangar Non-Aeronautical Hangar Policy (and Surcharge)*

In 2016 the City of Salinas will begin applying a 35% surcharge to aircraft hangars that are used for non-aeronautical purposes. This policy will apply to all city-owned storage hangars.

#### *Fuel Flowage Fees*

Currently the fuel flowage fee is .08 cents per gallon and has not been adjusted for several years. Staff recommends adjusting Jet A to .13 cents per gallon and 100LL to .10 cents per gallon. Based on 2015-2016 fuel flowage, the adjusted fee would have increased Jet A fuel flowage by \$25,000 and 100LL by \$2,000.

#### *Hangar Waitlist Fee*

Currently the hangar waitlist fee is \$50.00. If a customer is on the waitlist for multiple years a wait list fee is collect every year in January. The waitlist fee collected is then applied to the first month's hangar rent. Staff recommends a customer only pay a one-time \$50.00 fee to put their name on the waitlist with no additional recurrent annual fees. Staff recommends eliminating applying the waitlist fee to the first month rent. If a customer wishes to remain on the waiting list beyond the end of the calendar year. Staff will follow the same procedure and query the customers that desire to roll-over to the next calendar year and provide them the month of January to respond to remain on the waiting list. Applying waitlist fees to the first-month rent has been problematic due to individuals who remain on the waitlist over multiple years because they desire one specific hangar; the current procedure requires staff to research and obtain transactions from previous fiscal years and in some cases beyond the required time public entities are required to retain documentation. As proposed this will alleviate many issues and reduce the workload associated with managing and tracking the waitlist.

### *Special Event Fee*

Staff will request to negotiate special event fees rather than set them by ordinance. The fees for special events will be driven by fair market value, industry evaluation, and or cost recovery.

### **ISSUE:**

Shall the City Council accept the revised Schedule of Rates and Fees for the Salinas Municipal Airport?

### **COMMISSION RECOMMENDATIONS:**

The Airport Commission at their May 26, 2016 meeting unanimously recommended City Council approval of the revised Schedule of Rates and Fees for the Salinas Municipal Airport.

### **FISCAL IMPACT:**

The majority of the rates and fees included in the FY 16/17 proposal will not have a significant impact on the Airport Enterprise Fund. The adjustment of the Fuel Flowage Fees will increase revenues to Enterprise fund by approximately \$27,000.00 if fuel flowage meets or exceeds FY 15/16 annual gallon sold. The 35% surcharge on Aircraft Storage Hangars does have the potential to significantly impact the Airport Enterprise Fund but as of now it is impossible to determine an accurate impact due to not knowing if the non-aeronautical uses will correct itself, or which hangars will have the surcharge applied.

### **ALTERNATIVES/IMPLICATIONS:**

The Council may choose to withhold consent and direct staff how to proceed.

### **CITY COUNCIL GOALS:**

This request supports the City Council's Goal of Effective, Sustainable Government as it ensures that the Salinas Municipal Airport continues to remain viable as an essential service provider for the local community and national airspace system.

### **CONCLUSIONS:**

City Staff and the Airport Commission have concluded that by adopting a resolution to revise the Schedule of Rates and Fees for the Salinas Municipal Airport, the airport enterprise fund will continue to remain viable.

Resolution  
FY 2016-17 Schedule of Rate and Fees