



## **CITY OF SALINAS**

### **AIRPORT COMMISSION STAFF REPORT**

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**DATE:** APRIL 27, 2017

**DEPARTMENT:** PUBLIC WORKS, AIRPORT DIVISION

**FROM:** BRETT J. GODOWN, AIRPORT MANAGER

**TITLE:** SALINAS MUNICIPAL AIRPORT RATES AND FEES 2017-2018

**RECOMMENDED MOTION:**

It is recommended the Airport Commission recommend City Council approve the 2017-2018 Salinas Municipal Airport Rates and Fee Schedule.

**RECOMMENDATION:**

The central issue to the 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. The proposal is in alignment with the Airport Commission's recommendation for Staff to come forward each year with a proposed adjustment based on the San Francisco Bay Area Consumer Price Index (CPI). To that end, Staff has concluded and recommends the Airport Commission recommend approval of this item, thereby advancing the item to City Council.

**BACKGROUND:**

The City of Salinas owns and operates the Salinas Municipal Airport. As set forth by the Federal Aviation Administration (FAA) by way of its Airport Sponsor Assurances, any airport developed with Federal grant assistance is required to operate for the use and benefit of the public and is to be made available to all types, kinds, and classes of aeronautical activity on fair and reasonable terms and without unjust discrimination. The FAA provides grant funding to the City of Salinas for capital needs at the Salinas Municipal Airport. The obligation to make the Airport available to the public does not preclude the City from recovering the costs of operating, maintaining, and developing the Airport through fair and reasonable rates, charges, and fees. The City has the option to utilize various methods to assess Airport user rates, charges, and fees for the public use or tenancy of the Airport property and facilities.

In 2016 a comprehensive Airport Rates and Fees Schedule was adopted by the City Council for the Salinas Municipal Airport. This report includes an update to the Rates and Fees. The proposed Rates and Fees will be effective July 1, 2017.

The principal issue in setting fair and reasonable rates and fees 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 along with financing the existing and future proposed capital needs while maintaining a balance of fair and reasonable. If revenues are kept current with costs, it is possible to build and

retain reserves for capital needs. The reserve funds are used for capital projects and matching funds for FAA Grants (ACIP). It is also a desire of the City, Airport Businesses, Pilot Association and tenants to rebuild reserve funds for emergency or one-time general expenses.

While this update to the Airport Rates and Fees Schedule primarily focuses on the Airport Hangars, it is important to understand in FY 2016-2017 all of the other Airport Rates and Fees were updated. Additionally long-term leases with the City (Jet West, CalStar, Seatec, AT&T, and others) have built-in escalators based on the San Francisco Bay Area CPI. 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. Further, in 2016 when the Airport Rates and Fees Schedule was being adopted, Airport Staff expressed to the Airport Commission and pilot association, adjustments to the Airport Hangars fees would occur in 2017.

The process commenced by Airport Staff introducing the topic at the February Commission meeting. Staff presented the topic to SOPA at the 2017 February monthly meeting. At the April SOPA meeting, Staff presented the calculated CPI rate. Following this Commission meeting staff will publish the new Rates and Fees Schedule and proceed to advance the recommendation to City Council. Provided Council approves the recommended adjustments to the rates and fees, the adjustments will go into effect July 1, 2017.

Moving forward the conversation regarding rates and fees needs to progress from adjusting rates to keep pace with increasing costs, small capital investments, and grant matching to include reserve funds for financing hangar and facility replacement. The north side of the airport has several facilities maturing to their useful life. As facilities age-out, the revenue stream to the Airport Enterprise fund will be eliminated until the facility is replaced or other use is determined for the space.

#### ANALYSIS:

Historically the airport hangar storage rates were adjusted by the proceeding February-to-February CPI values. For example, the last hangar rate adjustment occurred in 2015; CPI values from February 2013 – February 2014 were used for the 2015 adjustment. Adjustments occurred around the month of January. Since 2013, Airport staff began delaying adjustments by one month each year gradually moving the adjustment period to July, which is in alignment for the annual City budget. Moving forward staff recommends the adjustment cycle be aligned with the annual budget process. Additionally, with the adjustment occurring in July, airport staff can utilize the same calendar year February CPI as the ending data for the calculation (vs. the prior year February data) as the data has been published by the Bureau of Labor Statistics.

The Salinas Airport hangar rates continue to be the lowest priced units when compared to the local airports or regional airport. Even taking into account the regular adjustments made to the hangar rates since 2006 using the San Francisco Bay Area Consumer Price Index, the Salinas rates are well below neighboring airports.

This year, Staff has developed proposed adjustments to aircraft storage fees using the San Francisco Bay Area CPI over one year, February 2014 – February 2017. Staff is proposing a 9.3%

increase for all city owned storage facilities that do not have built-in escalators in the lease provisions (Hangar Rows A, B, C, D, E, F, G, H, K, L, M, N, O, P, Q, R, S, and T).

#### *Hangar Rental Fee Analysis:*

Before proposing fee adjustments, Staff evaluated rents at other airports with similar hangars. Even taking into consideration the proposed 9.3% increase this fiscal year Salinas Municipal Airport continues to have some of the lowest hangar rates in the region. The nearest airport with like facilities is Watsonville Municipal Airport. In 2013, Watsonville initiated fee adjustments to their facilities to align their rental rates with other similar and nearby airports. The rental rate alignment resulted in increasing the hangar fees approximately 25% over a three-year period (2013-2015). Watsonville Airport will be proposing a rental escalation this upcoming year. Even with the proposed 9.3% adjustment to the Salinas Airport hangar, Salinas' rates will still be lower than the Watsonville Airport's 2015 rates by a significant margin.

This year staff continues to distinguish, capture, and analyze comparable facilities at similar airports. The attached spreadsheet (Airport Hangar Rental Comparison Matrix) summarizes staff's findings. For example: the November Row hangars at Salinas are a box-hangar configuration with rolling doors which is similar to Watsonville's Mike/Lima Row of hangars, Livermore's Box Hangars, Reid Hillview's Juliet Row of hangars, and etc. The spreadsheet was expanded to include South County and Paso Robles. The attached exhibits will provide a graphical representation.

As an additional comparative matrix, the overall average of hangar rates for a standard T-Hangar at other airports has risen to \$0.45 per square foot per month. Salinas averages \$0.24 per square foot per month or \$204 for T-Hangars. This is 53% lower than neighboring airports that includes include South County (San Martin) and Paso Robles.

#### CEQA/NEPA CONSIDERATION:

The City of Salinas has determined that the proposed action is not a project as defined by the California Environmental Quality Act (CEQA) (CEQA Guidelines Section 15378). In addition, CEQA Guidelines Section 15061 includes the general rule that CEQA applies only to activities which have the potential for causing a significant effect on the environment. Where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA. Because the proposed action and this matter have no potential to cause any effect on the environment, or because it falls within a category of activities excluded as projects pursuant to CEQA Guidelines section 15378, this matter is not a project. Because the matter does not cause a direct or foreseeable indirect physical change on or in the environment, this matter is not a project. Any subsequent discretionary projects resulting from this action will be assessed for CEQA or NEPA applicability.

#### STRATEGIC PLAN INITIATIVE:

In the Fiscal Years 2016-2019, Salinas City Council Strategic Plan, Council's goal statement for *Well Planned City and Excellent Infrastructure* reads, "The City of Salinas safely and efficiently manages the infrastructure with which we have been entrusted." This action complements the City

Council's Goals for Well Planned City and Excellent Infrastructure. Adjusting rates and fees provides additional revenue that is used to maintain and improve airport facilities and infrastructure. The revenue is directly reinvested back into the Salinas Municipal Airport by way of the Airport Enterprise Fund to manage and improve airport facilities and infrastructure.

**FISCAL AND SUSTAINABILITY IMPACT:**

Approval of the updated Salinas Municipal Airport Rates and Fees schedule will provide a positive impact to the Airport Enterprise Fund increasing revenues between \$50,000 and \$60,000 annually. This includes adjusting the Non-Aeronautical Hangar Use Surcharge by 5% from 35% to 40%. Recommendation of the 2017-2018 Salinas Municipal Airport Rates and Fee Schedule will allow Airport Staff to advance the item to City Council for final approval and implementation on July 1, 2017.

**ATTACHMENTS:**

Salinas Municipal Airport Rates and Fee Schedule FY 2017-2018

Airport Hangar Rental Comparison Matrix

Salinas Airport Hangar Rental Difference Summary