



CITY OF SALINAS

CITY COUNCIL STAFF REPORT

DATE: JUNE 20, 2017

DEPARTMENT: PUBLIC WORKS, AIRPORT DIVISION

FROM: BRETT J. GODOWN, AIRPORT MANAGER

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

RECOMMENDED MOTION:

It is recommended that City Council approve a Resolution to 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 City Council'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 recommends City Council approve a Resolution to approve the 2017-2018 Salinas Municipal Airport Rates and Fee Schedule.

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 by way of Resolution 20991, 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 August 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 such as large CIP projects.

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 Salinas Owners and Pilot Association (SOPA) at the 2017 February monthly meeting. At the April SOPA meeting, Staff presented the calculated CPI rate. Staff brought the updated Rates and Fees Schedule to the Airport Commission April meeting. The Commission requested Staff to review the proposed hangar rate adjustment and bring the item back at the May Airport Commission meeting. To that end, Staff reviewed the methodology and data that determined the proposed rate. Staff is proposing an 8.4% increase to all City-owned storage facilities. This percentage was determined by using the 2016 and 2017 February-to-February CPI values, respectively 3.0% and 3.4%. To help align the City's rates with other municipal airports staff is proposing an additional 2.0% adjustment this fiscal year.

The 8.4% adjustment was presented at the May SOPA meeting. At the SOPA meeting Staff also proposed adding an additional 2.0% to the FY 2018/2019 and 2019/2020 adjustments. After lengthy dialog, it was understood that 8.4% would be presented this year along with CPIs in future years and any additional percentage adjustments on-top of the CPI would be discussed next year if need be.

Following the SOPA meeting, a notice regarding the updated Rates and Fees Schedule was disseminated to all hangar tenants on Thursday May 11, 2017 via email and the post office advising the tenants of the proposed rental adjustments. Additionally the Airport Manager set aside two days following the publication of the proposed rates whereby any concerned tenant could address the Rates and Fees Schedule after regular business hours.

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.

Long-term vehicle storage is also included in the Rates and Fees schedule. Airport Staff often receives requests to store vehicles long-term. In the airport industry, long-term parking is considered storage for longer than a week in duration. Over the next year, Staff intends on developing a program that would allow storage of vehicles. For this fiscal year, Staff has set the rate at \$100.00 per month per storage space. The rate was determined by querying local storage yards.

ANALYSIS:

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 2015 – February 2017 with an additional 2.0% on top of the CPI. Staff is proposing a 8.4% 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 8.4% 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 8.4% 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 46% 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).

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 \$40,000 and \$50,000 annually. This includes adjusting the Non-Aeronautical Hangar Use Surcharge by 5% from 35% to 40%.

ATTACHMENTS:

Salinas Municipal Airport Rates and Fee Schedule FY 2017-2018

Airport Hangar Rental Comparison Matrix

Salinas Airport Hangar Rental Difference Summary