



Contra
Costa
County

To: Board of Supervisors
From: Keith Freitas, Airports Director
Date: October 16, 2018

Subject: Hearing to Consider New Rates and Charges for Buchanan Field Airport and Byron Airport

RECOMMENDATION(S):

1. OPEN the public hearing, ACCEPT public testimony, and CLOSE the hearing.
2. ADOPT Resolution No. 2018/524, establishing new hangar and tie-down rental rates and new rates for maintenance and other services at Buchanan Field Airport and Byron Airport.

FISCAL IMPACT:

No impact to the General Fund. The Airports Division operates as an Enterprise Fund and pays for all of its operating expenses from rents and other charges paid by airport users; no County General Fund dollars are used. The proposed fee schedule is intended to cover the cost of new and existing services provided by the Airports Division.

The proposed fee schedule includes a reduction in the rental rates for County-managed hangars and tie-downs, to make them more regionally competitive. Lowering the rental rates could result in a \$65,514 decrease in annual revenue to the Airport Enterprise Fund.

☒ APPROVE

☐ OTHER

☒ RECOMMENDATION OF CNTY ADMINISTRATOR

☐ RECOMMENDATION OF BOARD COMMITTEE

Action of Board On: **10/16/2018** ☒ APPROVED AS RECOMMENDED ☐ OTHER

Clerks Notes:

VOTE OF SUPERVISORS

AYE: John Gioia, District I Supervisor
Candace Andersen, District II Supervisor
Diane Burgis, District III Supervisor
Karen Mitchoff, District IV Supervisor
Federal D. Glover, District V Supervisor

I hereby certify that this is a true and correct copy of an action taken and entered on the minutes of the Board of Supervisors on the date shown.

ATTESTED: October 16, 2018

David Twa, County Administrator and Clerk of the Board of Supervisors

By: June McHuen, Deputy

Contact: Beth Lee, (925)
681-4200

cc:

FISCAL IMPACT: (CONT'D)

However, the rate reduction is also expected to increase patronage and lead to increased revenue in future years. The decrease has been reflected in the 2018-19 Fiscal Year budget.

BACKGROUND:

Airports Must Be Self-Sustaining

The Federal Aviation Administration requires the County airports to be operated and developed as financially self-sustaining public use facilities. Financial sustainability is achieved when the airports are developed and used at their highest and greatest potential. Financial sustainability is further achieved by charging appropriate rates to cover the cost to operate and maintain the facilities. Updating the airports' rates and charges, to enable the airports to charge for all of the services they provide and to establish suitable rental rates to use the airports for private, commercial and development investment functions is one way the Airports Division is striving to achieve this goal. The rates for services are consistent with the Airports' Strategic Plan objectives to diversify the revenue base, increase revenue generation, and improve the financial well-being of the County airport system and its Airport Enterprise Fund.

Competitive Regional Market

The Airports Division is a unique entity within the County system; it operates as a business within a governmental organization as its customers have a choice of many airports regionally. Airport staff performed a market survey of our regional competitors (Livermore, Hayward, Napa, Sonoma, Stockton and Nut Tree) and found that the rates in effect for Buchanan Field and Byron Airports were on the high end of the rate range. To best position Buchanan Field and Byron Airports to be regionally competitive, the new hangar and tie-down rates have been lowered and they will adjust every three years instead of annually. The rate changes are consistent with the Airports' Strategic Plan objective to best position the Airports Division to react and behave more like a business in order to successfully compete for marketplace in the region.

The reduction of hangar and tie-down rates will result in an approximate cost of \$65,514 annually to the Airport Enterprise Fund. This cost is based on applying the proposed rate reduction to occupied facilities. While all of the County's hangars are currently occupied, the wait list for each type of facility has substantively shortened over the years making it more difficult to rent available hangars in a timely manner. The cost of the County's hangars is often cited as a reason for leaving the County's airports and declining a County hangar when offered. Moreover, the County's tie-downs are overall less than 40% occupied. Reducing the hangar and tie-down fees is expected to increase long-term patronage at both airports, which will increase the overall revenue for the Airport Enterprise Fund. Lowering the rates is an integral component of the Airports' economic

strategy to maintain high occupancy rates in a competitive environment thus improving the financial well-being of the airport system and Airport Enterprise Fund.

Another approach the Airports Division is taking is to provide certain rate reductions to existing tenants to further tenant and business retention and attraction goals. One of the most powerful marketing tools for an airport is its existing tenants and businesses; their experience (positive or negative) is quickly transmitted to potential new tenants and businesses. To better ensure a positive experience and word-of-mouth referral, existing tenants and businesses would receive a rent discount if they: (1) have more than one hangar or tie-down; (2) prepay 12-months or more in rent; (3) refer a pilot or tenant that rents a hangar or tie-down; and/or (4) refer a business that enters into a lease or license agreement with the County. A discount will also be provided to a new hangar or tie-down tenant who received their pilot's license through a business located on one of the County's airports. The discounts are designed to motivate tenants to more aggressively market the airports, which should result in more economic development (tenants and businesses) of the airports leading to increased revenue generation and job opportunities. The discount program is consistent with the Airports' Strategic Plan objective to attract business aircraft and aeronautical businesses in addition to attracting general aviation aircraft and pilots.

Update to Rates and Charges

Resolution 2018/524 establishes rates and charges for the Airports Division that supersede the rates and charges established by Resolution 94/286, which was adopted on May 24, 1994. The rates and charges established in 1994 applied only to Buchanan Field Airport, as Byron Airport was not then a County airport. In addition, the rates and charges established in 1994 do not reflect the various types of rentals, or the breadth of services that are currently offered without charge at the airports as there is no fee structure to offset these costs.

In addition to the need to establish rates and charges for Byron Airport, the County needs to formally establish the rental rates that apply to the roughly 100 hangars the County has acquired since the adoption of Resolution 94/286. The hangars became County property upon the expiration or termination of long-term ground leases. Airport rates and charges also need to be updated to eliminate services no longer provided and to include services that have been added since 1994.

The rates and charges being proposed are attached. The methods used to determine the rates and charges for each category is set forth below.

1. Aircraft Tie-Down and Transient Parking Fees are based on a regional market survey to facilitate tenant/business attraction goals.
2. Hangar Rental Fees are based on a regional market survey to best ensure that the

County's hangars maintain a high occupancy rate and are competitively positioned for tenant/business retention and attraction.

3. Tenant Rent Discount Incentives are a unique credit to encourage our tenants/businesses to more aggressively market the airports which will increase and further diversify the revenue to the Airport Enterprise Fund.
4. Miscellaneous Fees are based on a regional market survey to cover the cost of the services that are provided.
 - a. Hourly-Rate Fees: The Airports staff services hourly rates are based on the average hourly rate for employees in the administrative and operations positions.
 - b. Fixed-Rate Fees: The amounts charged for hangar swaps, agreement modification, late submission of insurance certificates, gate access control cards, flight instructor and mechanic registration, landing fees, ground transportation services, airport badges and training are based on rates that other regional airports charge for like services.
5. Lease, license, Permission to Enter, and other applicable land use rates are established through negotiations with tenants. Airports staff considers the following factors to establish land use rates: market analysis of comparable regional airports; existing lease/license/other agreements for comparable use; services to be provided; size of desired location; duration/term; and development cost if applicable.

The rates and charges for the County airports will be effective on January 1, 2019.

CONSEQUENCE OF NEGATIVE ACTION:

If the rates and charges are not adopted, the County's airports will continue to operate under the existing rates and charges. As such, the Airports Division would not have the ability to cover the costs for additional services. In addition, the County hangar and tie-down rates will continue to be at the high end of the range for the local market, which could result in the County's airports being less regionally competitive.

CLERK'S ADDENDUM

Speakers: Tome Weber, CCC Aviation Advisory Committee; Eric Meinbress, CCC Aviation Advisory Committee.

ATTACHMENTS

Resolution No. 2018/524

Res 2018/524 New Airport Rates & Charges

Notice of Public Hearing

Airport Pay Scale Range