



# CITY OF SANTA BARBARA

## COUNCIL AGENDA REPORT

**AGENDA DATE:** September 23, 2014

**TO:** Mayor and Councilmembers

**FROM:** Business & Property Division, Airport Department

**SUBJECT:** Introduction Of Ordinance For Amendment To Mercury Air Center – Santa Barbara, Inc. Fuel Storage Facility Lease

### RECOMMENDATION:

That Council introduce and subsequently adopt, by reading of title only, An Ordinance of the Council of the City of Santa Barbara Approving and Authorizing the Airport Director to Execute an Amendment of Agreement No. 19,528, Dated April 15, 1999, Between Mercury Air Center – Santa Barbara, Inc. dba Atlantic Aviation, a California Corporation, and the City of Santa Barbara for Operation of a Fuel Storage Facility, Amending Article V, “Rent” (B)(1) and (2) to Allow for the Collection of Fuel Flowage Fees for Fuel Dispensed to the Commercial Air Carriers at the Santa Barbara Airport.

### DISCUSSION:

#### Background

Mercury Air Center - Santa Barbara, Inc., dba Atlantic Aviation and the City are parties to a Master Lease (No. 200846) dated June 1, 2008, as amended November 22, 2011, for 453,457 square feet of aviation-zoned land at the Santa Barbara Airport. Atlantic is a fixed base operator (FBO) that provides general aviation services, including aircraft storage, aircraft maintenance, flight instruction, and fuel and oil sales, as required under the lease and the Minimum Standard Requirements for Airport Aeronautical Services.

On April 15, 1999, Atlantic entered into a construction and lease (“Fuel Lease”) agreement with the City for construction of a new above ground fuel storage facility on one-half acre of land south of Hollister Avenue at the northeast corner of the airfield. The facility, as constructed, has five tanks, with a holding capacity of 40,000 gallons of jet fuel, 12,000 gallons of aviation gas, 1,000 gallons of motor gas, and 1,000 gallons of diesel fuel.

The Fuel Lease has a thirty year term which commenced on August 28, 2001. This Lease contains a provision that requires it to be coterminous with the Master Lease.

The Fuel Lease cannot be assigned or transferred except to the holder of the Master Lease. The current Master Lease expires July 31, 2016.

### Fuel Lease Rent

The current base rent for the Fuel Lease is \$4,274 per month or \$.05 per gallon of fuel sold, whichever is greater. The base rent has an annual CPI adjustment and provides for the adjustment of the fuel flowage fees annually on July 1<sup>st</sup> at the discretion of the Airport Director.

On March 19, 2014 Airport Commission approved new fuel flowage fees of:

Jet A = \$.08 per gallon sold  
Av Gas = \$.05 per gallon sold  
Commercial Air Carriers = \$.04 per gallon dispensed

The fee rate changes are projected to result in increased revenue to the Airport of approximately \$175,000 for FY 2015.

### Changes in the Industry

Airport Commission recognized that changes in the Airport industry over the last ten years have introduced a two-tier system for aviation fuel, with one fee charged for AvGas and a higher fee charged for Jet A. At many airports, fuel flowage fees are also charged on commercial carriers. The difference in cost is related to the disproportionate wear and tear on runways and taxiways caused by jet aircraft which tend to be larger and heavier.

### Implementation of New Fees

The Fuel Lease allows the Airport Director to adjust Fuel Flowage Fees annually on July 1<sup>st</sup>. However, the Fuel Lease must be amended to allow for the imposition of fuel flowage fees on Commercial Carriers, which was not the standard practice at the time the agreement was written. The Commercial Carriers agreed to the establishment of the fees for fuel dispensed by the FBOs at the annual Rates & Charges meeting in January 2014.

### Airport Commission

Airport Commission recommended approval at their August 20, 2014 meeting.

**PREPARED BY:** Rebecca Fribley, Sr. Property Management Specialist

**SUBMITTED BY:** Hazel Johns, Airport Director

**APPROVED BY:** City Administrator's Office