

To: Mayor and City Council
From: Martin Pastucha, Director of Public Works
Subject: Resolution Amending the Santa Monica Airport Landing Fee Program

Recommended Action

Staff recommends that the City Council:

1. Adopt the attached resolution to change the landing fee program from the current \$2.07 per thousand pounds of certificated maximum gross landing weight to \$5.48 and apply the fee to itinerant and based aircraft at the Santa Monica Airport (Airport), effective August 1, 2013.
2. Approve the budget changes as outlined in the Financial Impacts and Budget Actions section of this report.

Executive Summary

Based on the results of a fee study, staff recommends increasing the landing fee at the Santa Monica Airport (SMO) from \$2.07 to \$5.48 per thousand pounds of certificated maximum gross landing weight and applying the fee to all aircraft including SMO-based aircraft. The proposed rate would provide net revenue to recover the cost to maintain and operate the public-use aviation areas (runway, taxiways, taxilanes and ramps) of the Airport.

Background

The Airport Fund began taking loans from the General Fund in 1988 to make up operating deficits. As shortfalls continued, numerous additional loans were required from the General Fund to enable the Airport Fund to meet its obligations. The most recent General Fund loan of \$3.3 million was made in FY 2011-12 so that the Airport Fund could cover part of the following operating overruns:

<u>Fiscal Year</u>	<u>Change in Net Assets</u>
FY 2007-08	\$ (597,434)
FY 2008-09	\$ (1,419,257)
FY 2009-10	\$ (564,558)
FY 2010-11	\$ (2,117,933)
FY 2011-12	\$ (1,137,065)

** As per the Comprehensive Annual Financial Reports (CAFR)*

As of June 30, 2012, the Airport Fund's outstanding loan obligation to the General Fund was \$13.3 million. With the loss of Redevelopment, the City's General Fund has assumed a greater responsibility for the costs of needed infrastructure improvements citywide. This requires Enterprise Operations such as the Airport Fund to achieve financial self-sufficiency. To that end, the City has undertaken a landing fee study to determine the cost recovery charge for aviation operations at the Airport.

Landing fees are used to maximize safety and efficiency by providing the necessary resources to maintain and operate the public-use airfield areas at the Airport. On [June 21, 2005](#), Council adopted Resolution No. 10047 setting the current landing fee at \$2.07 per 1,000 pounds of certificated maximum gross landing weight as published by the aircraft manufacturer. This resolution exempted aircraft that were based at the Airport for a period of 30 days or more from the fee requirement. The fee exemption ends when an aircraft ceases to be based at the Airport.

The Federal Aviation Administration (FAA) Airport Sponsor Assurances requires that the City maintain a fee and rental structure for Airport facilities and services that allow the Airport to operate as a self-sustaining enterprise fund. Capital projects required in the public-use aviation areas have been completed consistent with the provisions contained in the 1984 Settlement Agreement and FAA Airport Sponsor Assurances that require the City to maintain the Airport in good working order as prescribed by applicable federal, state, and local agencies.

Discussion

During the [May 8, 2012](#), Council meeting, as part of Phase III of the Visioning process, staff was directed to conduct fee studies that included landing fees. Staff retained aviation consultants WJ Advisors, LLC, to develop a financial model providing a basis each year that monitors the financial performance of the Airport and provides a consistent framework to determine an airport landing fee that should be applied to achieve cost recovery for the public-use airfield areas at the Airport. This study was

conducted in accordance with the federal guidelines to make the aviation operations financially self-sustaining.

Staff examined the Airport's historic costs to determine the amount allocable to public-use aviation areas as defined in Chapter 18 of the FAA's Airport Rates and Charges policy. This definition includes runways and taxiways, public aircraft parking ramps and aprons, and associated aeronautical land, such as land used for navigational aids. Capital expenditures dating back to 2002 that are allocable to these areas were amortized over the useful life of the asset. Staff calculated the annual gross landed weight for all aircraft using the Airport. The annual historic operating and amortized capital expenditure were divided by annual gross landed weight for all aircraft using the Airport to determine the fee per 1,000 lbs. of landed weight. The goal of the study was to establish and charge a landing fee rate that is fair and equitable across all users, including itinerant and SMO-based aircraft making the operation financially self-sustaining. The proposed landing fee rate and financial projections are in Attachment 2. The results of the landing fee study recommended that the landing fee be increased from the current \$2.07 per thousand pounds of gross landed weight to \$5.48. Staff recommends that this rate be effective August 1, 2013, and applied non-discriminatorily to both itinerant and SMO-based aircraft.

Staff examined landing fee programs at other airports, focusing on airports that charge a landing fee to based aircraft. Additionally, the City's current landing fee structure and rate were reviewed to determine if the revenue from the airfield portion recovered the full cost of aviation expenditures in order to maintain the public-use airfield areas of the Airport. The result of this analysis determined that the airfield side was not self-sustaining and required significant abatements from landside operations. This loss substantially contributed to the Airport Fund acquired debt of \$13.3 million from the City's General Fund and has required the deferral of several capital improvement projects to the Airport's aircraft operations areas, which include the runway, taxiways, aircraft parking areas, helipad, and service road, as well as the deferral of non-aviation capital improvements. Staff has had to balance the need of maintaining the safety and

integrity of the public-use airfield areas of the Airport to meet federal standards with inadequate funding. In recent years, staff has expended capital improvement funds to perform the minimum repairs necessary to meet federal guidelines in lieu of full scale pavement rehabilitation projects.

Additional revenue generated from the landing fee will be used to make the airfield operations financially self-sustaining and to create an Airport Improvement Account to be used for the renewal and replenishment of assets, the construction and repair of facilities, the acquisition of equipment, and other related uses.

Commission Action

The results of the study were presented to the Airport Commission during its [April 1, 2013](#), special meeting. The Commission heard comments from members of both the aviation and neighboring communities. The Airport Commission made a motion to defer any decision on whether to recommend this matter to the City Council until its [April 22, 2013](#), regular meeting. A report on the Airport Commission's [April 22, 2013](#), meeting will be incorporated into staff's oral presentation at the April 30, 2013, Council meeting.

Public Outreach

In March and April 2013, staff had two meetings with personnel of the Western-Pacific Region of the FAA and reviewed the methodology and the findings of the study. Staff also held several meetings and shared the results of the study with various aviation interest groups including the Santa Monica Airport Association; Friends of Santa Monica Airport; local Fixed Based Operators; and flight schools. Staff disseminated notices to all airport tenants and posted them in public areas at the Airport advising of the proposed change to the current landing fee program. This notice was also posted on the Airport's website.

Financial Impacts & Budget Actions

Staff projects that the new landing fee structure will result in additional annual revenue to the Airport Fund of approximately \$1.4 million in FY 2013-14 and \$1.5 million in FY

2014-15. Should Council adopt the proposed Resolution revising Santa Monica Airport landing fees, staff will include this revenue in the FY 2013-14 and FY 2014-15 proposed budgets in account 33431.402170; revenue increase is contingent upon Council budget adoption.

Prepared by: Stephanie Manglaras, Principal Administrative Analyst, Public Works

Approved:

Forwarded to Council:

Martin Pastucha
Director of Public Works

Rod Gould
City Manager

Attachments:

- 1 – [Resolution](#)
- 2 – [Proposed Airport Landing Fee Model, March 13, 2013](#)