

CITY OF SANTA MONICA  
SPECIAL CITY COUNCIL MEETING AGENDA  
CITY HALL COUNCIL CHAMBERS - 1685 MAIN STREET  
TUESDAY, APRIL 30, 2013

**MEETING BEGINS AT 5:30 P.M.**

CALL TO ORDER  
PLEDGE OF ALLEGIANCE  
ROLL CALL

*(This is a special City Council meeting. Public comment is restricted to only items listed on the agenda.)*

1. CLOSED SESSIONS:

1-A: **Public Employee Evaluation.**  
Title of Employees: City Manager and City Attorney

**The following is the order of business for items to be heard no earlier than 6:30 p.m.**

3. CONSENT CALENDAR: (All items will be considered and approved in one motion unless removed by a Councilmember for discussion.)

3-A: **Contract Modification for Operating the Landing Fee Program at Santa Monica Municipal Airport** – recommendation to authorize the City Manager to negotiate and execute a first modification to Contract No. 9384 (CCS) with Vector-US, Inc., in the amount of \$58,344 to provide for the image capture of aircraft operations, data management and reports, billing, and payment collections for the Santa Monica Airport landing fee program, resulting in a four-year amended contract with a new total amount not to exceed \$458,344.

3-B: **Award Construction Contract for Santa Monica Airport Runway, Taxiway and Parking Lot Improvements** -- recommendation to authorize the City Manager to negotiate and execute a contract with PALP, Inc., dba Excel Paving Company, in an amount of not to exceed \$672,525 for the Santa Monica Airport Runway, Taxiway and Parking Lot Improvements; authorize the issuance of an after-hours construction permit to remove rubber deposits from the runway

between the hours of 9 PM and 6 AM for a period of four nights, contingent on satisfying notification requirements as contained in Santa Monica Municipal Code 4.12.110; and authorize the Director of Public Works to issue any necessary change orders to complete additional work within budget authority.

#### 8. STAFF ADMINISTRATIVE ITEMS:

- 8-A: **Santa Monica Airport Campus Phase III Findings, Landing Fee Study and the Future of Santa Monica Airport Operations** – recommendation to adopt the proposed Resolution revising Santa Monica Airport (the “Airport” or “SMO”) landing fees and making them applicable to all aircraft as of August 1, 2013; approve the development of a pilot program for retrofitting aircraft used in flight training with mufflers or other sound mitigation equipment and direct staff to include \$200,000 for the pilot program in the proposed FY 2013-15 City budget; review and comment on the proposals formulated through Phase III of the Airport Visioning Process and information provided by staff and the community; and direct staff to (1) continue to identify and analyze the possibilities for current and future actions to reduce Airport noise, air pollution and safety risks through Airport reconfiguration, revised leasing policies, voluntary agreements, mandatory restrictions, and all other means; (2) continue to assess the potential risk and benefits of closing or attempting to close all or a portion of the Airport; and (3) return to Council, by March of 2014, with an assessment of both so that Council can determine whether the City should, after the expiration of its current obligations, implement additional changes that will reduce adverse Airport impacts and enhance the Airport’s benefit to the community or whether the City should undertake closure of all or part of the Airport.

#### 11. RESOLUTIONS:

- 11-A: **Adopt a Resolution Amending the Santa Monica Airport Landing Fee Program** – recommendation to 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, and approve the budget changes as outlined in the Financial Impacts and Budget Actions section of this report.

Note: The consent calendar may be heard after Items 8-A and 11-A. Items 8-A and 11-A may be heard together.

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# City Council Report

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City Council Meeting: April 30, 2013

Agenda Item: 3-A

To: Mayor and City Council  
From: Martin Pastucha, Director of Public Works  
Subject: Contract Modification for Operating the Landing Fee Program at Santa Monica Municipal Airport

## Recommended Action

Staff recommends that the City Council authorize the City Manager to negotiate and execute a first modification to contract No. 9384 (CCS) in the amount of \$58,344 with Vector-US Inc., a Virginia-based company, to provide image capture of aircraft operations, data management and reports, billing, and payment collections for the Santa Monica Municipal Airport (Airport) landing fee program. This will result in a four-year amended agreement with a new total amount not to exceed \$458,344, with future year funding contingent on Council budget approval.

## Executive Summary

In June 2011, Council approved Vector-US, Inc. to operate the Airport's landing fee program for an amount not to exceed \$400,000. Staff recommends a first modification to Contract No. 9384 (CCS) in the amount of \$58,344, for a total not-to-exceed amount of \$458,344, with Vector-US, Inc. for the purchase of two additional digital cameras to expand the existing system to capture aircraft operations performed during certain patterned flying activities when an aircraft lands and then immediately takes off again without leaving the runway environment, such as touch-and-go and stop-and-go operations. The cost for the two additional digital cameras is \$41,696, with an additional cost of \$16,648 per year (or \$8,324 per camera per year) for costs associated with operations, data processing, and maintenance of the new equipment through June 30, 2015.

## Background

On June 14, 2011 Council approved the selection of Vector-US, Inc. to operate the landing fee program at the Airport. Vector-US, Inc. provides for the digital image capture of aircraft operations, verification, billing, customer service, payment collection, and reporting of the landing fee program.

## **Discussion**

Vector's Aircraft Tracking/Capture/ID system has been successfully used at the Airport since July 1, 2011. This system uses three overlapping, integrated technologies to capture aircraft 24 hours a day, 7 days a week. The system includes: solar-powered air traffic Imaging Systems (cameras); SCOUT Transponder Receiver (a second layer to identify aircraft in the air); and flight plan data (FAA radar data). Vector's services include all necessary equipment including the maintenance of the on-site camera system, servers, and transponders.

The implementation of the proposed updated landing fee program that will be presented to Council on April 30, 2013 for adoption would require an upgrade to the current camera system. This contract modification adds two additional cameras to the existing four camera system to record aircraft on the runway. The additional cameras would be positioned on top of the Airport Administration Building and integrated into a system that would, through comparative analysis, identify when aircraft land and immediately take off without leaving the runway environment, which would include touch-and-go and stop-and-go operations.

## **Contractor Selection**

On March 24, 2011, the City issued a Request for Proposal (RFP) for operating the Airport's landing fee program and advertised it nationwide. Four potential service providers responded. After reviewing the proposal, staff from Airport, Finance and City Attorney's Office identified Vector-US, Inc. as the best bidder. Vector-US, Inc. was the only service provider that met all the City's criteria for aircraft tracking, verification, billing, customer service, collection, and reporting. One other submittal met the criteria of the RFP, but the price was significantly higher than Vector-US, Inc. The other two submittals did not meet all the requirements of the RFP.

## **Financial Impacts & Budget Actions**

The contract modification to be awarded to Vector-US, Inc. is \$58,344, for an amended contract total not to exceed \$458,344. Funds have been included in proposed FY 2013-

15 budget in division 33431; the contract will be charged to account 33431.555060. Future funding is contingent upon Council approval and budget adoption.

**Prepared by:** Bob Trimborn, Airport Services Manager

**Approved:**

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**Forwarded to Council:**

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Martin Pastucha  
Director of Public Works

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Rod Gould  
City Manager



# City Council Report

City Council Meeting: April 30, 2013

Agenda Item: 3-B

To: Mayor and City Council  
From: Martin Pastucha, Director of Public Works  
Subject: Award Construction Contract for Santa Monica Airport Runway, Taxiway and Parking Lot Improvements

## Recommended Action

Staff recommends that the City Council:

1. Authorize the City Manager to negotiate and execute a contract with PALP Inc., dba Excel Paving Company, a California-based company, in an amount not to exceed \$672,525 (includes a 10% contingency) for the Santa Monica Airport Runway, Taxiway and Parking Lot Improvements.
2. Authorize the issuance of an after-hours construction permit to remove rubber deposits from the runway between the hours of 9 PM and 6 AM for a period of four nights, contingent on satisfying notification requirements as contained in Santa Monica Municipal Code 4.12.110.
3. Authorize the Director of Public Works to issue any necessary change orders to complete additional work within budget authority.

## Executive Summary

The Santa Monica Airport Runway, Taxiway and Parking Lot Improvements project would remove the build-up of rubber deposits from aircraft tires from the runway surface, repair damaged pavement sections of the taxiways north and south of the runway, refresh and update pavement markings along the runway and taxiways, and resurface the tenant parking lot serving the Santa Monica Arts Studio (3026 Airport Avenue) and the Ruskin Theater Group (3000 Airport Avenue) buildings.

In January 2013, the City solicited bids for airport construction services. Two bids were received and opened on March 12, 2013. Staff recommends PALP Inc., dba Excel Paving Company, the best bidder, for construction of the project at a cost not to exceed \$672,525.

The issuance of an after-hours construction permit is recommended to allow removal of rubber deposits from the runway surface and to refresh the runway markings. The rubber removal and runway restriping would occur over a period of four nights, between

the hours of 9 PM and 6 AM, during which time the runway would be closed to aircraft landing and take-off.

### **Discussion**

The Santa Monica Airport Runway, Taxiway and Parking Lot Improvements project would remove the build-up of rubber deposits from aircraft tires from the runway surface, a maintenance activity that is typically necessary on a biennial basis to ensure safe operation of the airfield; repair damaged pavement sections of the taxiways north and south of the runway; refresh and update pavement markings along the runway and taxiways; and resurface the tenant parking lot serving the Santa Monica Arts Studio (3026 Airport Avenue) and the Ruskin Theater Group (3000 Airport Avenue) buildings.

The runway rubber removal and restriping work requires closure of the runway and would be performed at night between the hours of 9 PM and 6 AM, over a period of four nights. An after-hours construction permit would be issued to the Contractor for this project, contingent on satisfying notification requirements as contained in Santa Monica Municipal Code 4.12.110, which includes notification to persons occupying property within a perimeter of 500 feet of the proposed construction activity. The equipment for the rubber removal process utilizes high-pressure water and is designed to fully recover all the wastewater and rubber debris for disposal at an approved treatment facility.

### **Contractor Selection**

On January 15 and 16, 2013, the City published a Notice Inviting Bids in the Santa Monica Daily Press and on the City's online bidding site. The City Clerk's office received two sealed bids, which were publicly opened by the Deputy City Clerk on March 12, 2013.

Bid results are as follows:

<b><u>Bidder</u></b>	<b><u>Location</u></b>	<b><u>Bid Amount</u></b>
PALP, dba Excel Paving Co.	Long Beach, CA	\$ 611,386
Sully-Miller Contracting Co.	Brea, CA	\$ 670,728

Bids were reviewed by Public Works staff and evaluated based on understanding of the project's scope, direct experience on similar projects, approach to the work, technical competence, qualifications of the proposed staff, and the ability to meet the desired time frames.

Excel Paving, located in Long Beach, CA, is recommended as the best bidder based on the evaluation criteria. The references provided by Excel Paving include recent projects for the cities of Los Angeles, Long Beach and Santa Monica. Reference agencies contacted reported the contractor's work was completed in a timely and cost-efficient manner while maintaining consistent quality. Recently Excel Paving successfully completed the City's Annual Paving and Sidewalk Repair project and the Ocean Park Boulevard Complete Green Street project. The Contractor's State License Board also verified that Excel Paving's and its subcontractors' licenses are current, active, and in good standing.

#### Construction Management and Public Outreach

Construction management and public outreach for this project would be provided by staff. Construction management would include inspecting the contractor's work during construction, verifying and controlling field changes and unforeseen conditions, monitoring and mitigating impacts as a result of the construction activities, attending contractor's safety meetings, attending periodic progress meetings, and maintaining all necessary inspection documentation relevant to the work conducted during construction. Public outreach would include notifications distributed to adjacent properties and the surrounding community on the scope of the project, potential impacts including night work, and schedule of additional periodic updates, weekly updates on the City's "Know Before You Go" (aka KBUG) website and in the Santa Monica Daily Press.

Construction Schedule

Work is anticipated to begin the week of June 3, 2013 and be completed by July 31, 2013.

**Financial Impacts & Budget Actions**

The contract to be awarded to PALP Inc., dba Excel Paving Company, is for an amount not to exceed \$672,525 (including a 10% contingency). Funds are available in the FY2012-14 Capital Improvement Program budget in the following accounts:

<u>Account</u>	<u>FY2012-13</u>	<u>FY2013-14</u>	<u>FY2012-14</u>
M330638.589000 Airfield Pavement Rehab	\$ 455,950	\$ 83,906	\$ 539,856
M330642.589000 Parking Lot Pavement	\$ 132,669	\$ 0	\$ 132,669
<b>Total Funds Available</b>	<b>\$ 588,619</b>	<b>\$ 83,906</b>	<b>\$ 672,525</b>

**Prepared by:** Allan Sheth, Civil Engineering Associate

**Approved:**

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**Forwarded to Council:**

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Martin Pastucha  
Director of Public Works

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Rod Gould  
City Manager



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# City Council Report

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City Council Meeting: April 30, 2013

Agenda Item: 8-A

To: Mayor and City Council  
From: Martin Pastucha, Director of Public Works  
Marsha Jones Moutrie, City Attorney  
Subject: Santa Monica Airport Campus Phase III Findings, Landing Fee Study and the Future of Santa Monica Airport Operations

## Recommended Action

Staff recommends that the City Council:

1. Adopt the proposed Resolution revising Santa Monica Airport ("the Airport" or "SMO") landing fees and making them applicable to all aircraft as of August 1, 2013;
2. Approve the development of a pilot program for retrofitting aircraft used in flight training with mufflers or other sound mitigation equipment and direct staff to include \$200,000 for the pilot program in the proposed FY 2013-15 City budget;
3. Review and comment on the proposals formulated through Phase III of the Airport Visioning Process and information provided by staff and the community;
4. Direct staff to:
  - a) Continue to identify and analyze the possibilities for current and future actions to reduce Airport noise, air pollution and safety risks through Airport reconfiguration, revised leasing policies, voluntary agreements, mandatory restrictions, and all other means; and
  - b) Continue to assess the potential risks and benefits of closing or attempting to close all or a portion of the Airport; and
  - c) Return to Council, by March of 2014, with an assessment of both so that Council can determine whether the City should, after the expiration of its current obligations, implement additional changes that will reduce adverse Airport impacts and enhance the Airport's benefit to the community or whether the City should undertake closure of all or part of the Airport.

## Executive Summary

The City owns the Airport and operates it in conformity with The Santa Monica Airport Agreement (the "1984 Agreement") with the federal government, various federal grant conditions, and other legal requirements and constraints, including private leases. However, the requirements and constraints will change in 2015 with the expiration of the 1984 agreement and the Airport leases. The extent of the control that the City will regain in 2015 is disputed. Nonetheless, in order to allow sufficient time to explore all options, the City instituted a three-part Airport Visioning Process to explore the range of

options for the Airport's future that lie between the extremes of maintaining the status quo and attempting to close the Airport. At the conclusion of Phase II, Council directed staff to ensure transparency and ample opportunity for public input, prepare a more detailed assessment of possibilities for "greening" the Airport, evaluate the potential for making the Airport a better neighbor and community member, evaluate design improvements for non-aviation land, and continue its dialogue with FAA representatives. Staff has carried out those directives, and Phase III has been completed. This report summarizes the results of that effort and also includes contextual information, additional data gathered by staff, input from the Airport Commission and the community, and discussion of the options. Staff seeks guidance from Council on additional staff work that will assist Council in making its ultimate decisions about the Airport's future.

Whatever the best option may be after 2015, it is clear that the City is bound by the 1984 Agreement and long-term leases until then. So, time remains for further exploration of possibilities for diminishing adverse Airport impacts and enhancing Airport benefits to the community. Accordingly, based upon the information conveyed by this report and the fact that the City cannot significantly change Airport operations at present, staff recommends that Council provide direction to pursue opportunities for significantly mitigating Airport impacts through various means and report back so that Council may consider whether the potential for diminishing adverse Airport impacts and enhancing Airport benefits warrants planning to keep the Airport open or whether the City should endeavor to close the Airport after the expiration of the 1984 Agreement and grant conditions. Additionally, staff recommends that Council approve the proposed landing fee program in order to better cover and more equitably distribute Airport costs. Finally, staff recommends approving a pilot program to facilitate the installation of muffler and other noise-mitigation equipment on aircraft used in flight training in order to reduce noise impacts on Airport neighbors.

## **Background**

### **The Airport and Its History**

The Airport's circumstances and its history provide context for considering its future. SMO is one of the oldest and busiest single-runway, general aviation airports in the country. It is located on 227 acres of prime land, bordered on three sides by single-family residential neighborhoods, two of which are in the City of Los Angeles. Today's Airport campus, which is shown on Attachment A, consists of 187 acres of land legally designated and used for aviation activities and 40 acres that are used for other purposes not inconsistent with airport activities, such as park space, educational facilities and art studios. The Airport has a single runway, oriented roughly east-west, with takeoffs occurring westward over Sunset Park and toward the ocean during

prevailing wind patterns. Last year, there were 102,675 total operations of which 12,414 were jet operations.

The Airport has played a major role in the histories of the City and modern aviation. Attachment B summarizes the Airport's history. It was acquired by the City in 1926, when the surrounding area was mostly farmland; and the City has continuously owned and operated it ever since, except during World War II, when it was leased to and operated by the federal government. Before, during, and for a brief period after the war, the Airport was home to the Douglas Aircraft Company. It was, by far, the largest employer in the City; and Sunset Park was developed largely to house its enormous workforce.

Prior to World War II, the Airport was smaller than it is today; and the layout included two runways configured in an "X". During World War II, the federal government enlarged and reconfigured the Airport, creating the current runway and taxiway configuration. After the war, the federal government transferred the Airport back to the City in two conveyances undertaken separately, each with its own transfer document. One of the documents, the Instrument of Transfer, contains language purporting to limit the parcel to airport use in perpetuity. The other document is a Quit Claim Deed, which purports to convey a fee title to the City and contains no such limitations. Attachment C shows the two parcels.

### **The Post War Years and the Emergence of Conflict**

In the years that followed, Douglas reduced its workforce and later left the Airport; and the fleet mix at the Airport changed with the development and proliferation of jet aircraft. These changes sparked substantial conflicts between the Airport and the residential neighborhoods that had grown up immediately adjacent to the Airport and its runway ends.

Attachment D is a photograph showing the proximity of the Airport to these neighborhoods. The City responded to the conflict by adopting local regulations restricting operations to protect neighbors' quality of life by imposing: a night curfew; bans on touch-and-go, stop-and-go, and low approach operations; a prohibition against helicopter flight training; a noise limit; and a jet ban. The aviation community and the federal government challenged the regulations. Litigation ensued, most notably Santa Monica Airport Assoc. v. City, 659 F.2d 100 (1981), in which a coalition of Airport users challenged City ordinances. The federal trial court upheld all of the ordinances except the jet ban, which was invalidated on constitutional grounds; and the federal appellate court affirmed.

Legal and political conflicts over the Airport continued, waxing and waning for almost fifty years. The disputes have included lawsuits and other proceedings against the City initiated by Airport neighbors, members of the aviation community and the Federal Aviation Administration (FAA). Overall, there have been seven appellate court decisions about operations at the Airport rendered in the last 45 years, and many more cases and administrative proceedings. Attachment E lists the appellate decisions about the Airport.

There was, however, one period of relative quietude in the post-war history of the Airport. In 1984, the City resolved its then-current differences with the FAA through adoption of the 1984 Agreement, which minimized conflict for almost 20 years. Among other things, the Agreement requires the City to operate the Airport until 2015, establishes operational restrictions, and imposes certain requirements about the mix of facilities and businesses at the Airport. More recently, controversy re-ignited, with neighbors, the aviation community and the federal government all asserting claims against the City in the last 10-15 years.

## **Changes in Law & Recent Disputes**

Following the adoption of the 1984 Agreement, changes occurred in federal law. Most significantly, the courts established that airport proprietors are not federally preempted from regulating airport noise in order to protect residents' health and welfare. This doctrine is referred to as the airport proprietor's exception to federal preemption, and it protects local airport proprietors' authority to protect their communities by regulating airport operations. However, in 1990, Congress responded to the court decisions by adopting the Airport Noise and Capacity Act (ANCA). Basically, it limits local control of noise by requiring local entities to undertake a specified process and meet very stringent standards to justify local noise restrictions. To staff's knowledge, no local entity has successfully utilized the ANCA process to strengthen noise regulations. Fortunately, regulations that predate ANCA, like Santa Monica's, are grand-parented; and Santa Monica's have been incorporated into the Municipal Code.

In the last ten years, the City fought a protracted legal battle with the federal government, after the FAA challenged the City's proposed Aircraft Conformance Program. The program would have implemented federal runway safety standards for the design of new airports by effectively shortening the length of the Airport's runway so that runway safety improvements could be installed to protect homes and neighborhoods from aircraft overruns. The runway safety program entailed prohibiting Category C and D aircraft, which have high approach speeds, from using the Airport.

After repeatedly attempting to negotiate a runway safety solution with the FAA, the City Council ultimately adopted an ordinance prohibiting C and D aircraft from using the Airport in order to promote safety. In response, the FAA immediately sought and obtained injunctive relief in federal court. United States v. City of Santa Monica, 330 Fed. Appx. 124 (9th Cir. May 8, 2009) (Unpublished). Basically, throughout the litigation, the City contended that it has the right to protect Airport neighbors by implementing current federal runway safety area design standards for new airports.

The federal government argued, among other things, that the Airport is safe, that the ban on C and D aircraft violated federal grant assurances, and that the assurances do not expire until 2023. The controversy was long, costly and hard-fought. The City hired a team including outside counsel and experts; staff worked with them. Over the course of nine years, the case made its way through a lengthy administrative process, a federal trial court and two federal appellate courts. Ultimately, in 2011, the FAA prevailed on the narrow ground that the program violated the grant assurance prohibiting unjust discrimination. City v. FAA, 631 F.3d 550 (DC Cir. 2011).

While the City was battling the FAA on the Aircraft Conformance Program and C and D ban, an aviation industry organization, the National Business Aviation Association (NBAA), filed an administrative complaint with the FAA, alleging that the City's landing fee program violated grant assurances, the 1984 Agreement and the post-war Instrument of Transfer. In early 2004, the FAA issued a 55-page Director's Determination invalidating the City's landing fee program and concluding that the fee structure disproportionately and unreasonably allocated airfield costs to a very small group of users who operated heavier aircraft. In 2005, with the runway safety/jet ban fight ongoing, the City opted to resolve the landing fee dispute by submitting a corrective action plan, which called for adoption of the current fee program. It sets the landing fee at \$2.07 per 1,000 pounds of maximum certified gross landing weight and exempts based aircraft.

### **The Visioning Process and Completion of Phase III**

Since the litigation against the FAA ended, City staff has focused on assessing opportunities that will arise with the expiration of the 1984 Agreement, the federal grant conditions, and the Airport leases. The Airport Visioning Process was formulated to identify and assess options between the extremes of maintaining the Airport status quo (which many Airport neighbors perceive as completely unacceptable because of the

Airport's adverse impacts on them and their property) and closing the Airport (which would entail a long and costly legal battle of uncertain outcome). The process has also served to make a record supporting the Council's ultimate choice.

On [December 14, 2010](#), Council authorized a professional services agreement with The RAND Corporation to study best practices and uses that might be compatibly and beneficially located at the Airport. Council also authorized a contract with Point C Partners to formulate and undertake a preliminary community interview process regarding the range of possibilities for the Airport's future.

On [February 22, 2011](#), Council directed staff to proceed with Phase I of a comprehensive, three-phased Airport visioning process. Council also approved a contract with HR&A Advisors Inc. to analyze general economic and fiscal impacts of current Airport operations and activities. On [October 4, 2011](#), staff reported to Council on Phase I, and Council directed to proceed with Phase II.

On [December 6, 2011](#), Council approved the Phase II professional services contract with Moore Icafano Goltsman, Inc. (MIG) to facilitate thirty community discussion groups and provide both a report and raw data to the City. The discussion groups, which began in January of 2012, provided a forum for community members and all other interested persons to share their views about the Airport and its future. Over 300 community members and others participated, making this the largest, in depth public process ever undertaken by the City.

On [May 8, 2012](#), MIG's report was presented to Council. The report includes the demographics of the participants (most community members who participated lived near the Airport) and lists their positive and negative comments about the Airport.

The positive comments included that the Airport:

- Represents the history of both aviation and the City;
- Plays a critical role in emergency preparedness and certain medical services;
- Serves as a reliever airport to LAX and a vital link in the air transportation system;
- Provides training and educational opportunities related to aviation;
- Provides recreational opportunities and a home for the arts community;
- Contributes to the local economy, partly by attracting desirable businesses; and
- Is a low density use in a time of very rapid development.

The negative comments, which were much more numerous, were about:

- Noise pollution, particularly from jets and flight school operations;
- Perceived health impacts of aircraft emissions;
- Safety risks related to flight training and the proximity of homes and a gas station to the runway ends;
- Perceived growth in Airport operations;
- Damage to residents' life quality and property values without equal benefits;
- Environmental impacts inconsistent with City policies and values; and
- Lack of local control and corresponding feelings of disenfranchisement.

The MIG report distills the community input into three general positions between the extremes of maintaining the status quo and fighting to close the Airport:

- (1) Close the Airport unless a firm agreement is made with the FAA that guarantees operational changes sufficient to significantly mitigate adverse Airport impacts on surrounding neighborhoods; and
- (2) Keep the Airport only if operations and the Airport "footprint" are significantly reduced because the Airport has outgrown its residential setting; and

(3) Preserve the Airport as a potential asset if the City can implement various mitigation measures sufficient to reduce impacts because the results of litigation are uncertain, subsequent repurposing of the Airport land would likely include development that would greatly exacerbate traffic problems, and closure might allow flights incoming to LAX to overfly Santa Monica at lower altitudes.

After considering the MIG report, hearing public testimony, and assessing steps the City was taking or might take to address community concerns about adverse Airport impacts, Council directed staff to proceed with Phase III. On [August 14, 2012](#), Council approved a professional services agreement with IBI Group to prepare enhancement concepts for the Airport non-aviation land.

Council's directions to staff for Phase III, included: continuing the community dialogue on the Airport's future and providing more information to the community; assessing possibilities for transforming SMO into a model "Green" airport; evaluating the potential for making SMO a better neighbor by identifying best practices at other airports; conducting a fee study; trying to reduce flight school operations by moving some to other airports; and making physical improvements to the Airport; evaluating possible design improvements for non-aviation land; continuing communications with the FAA about the Airport's adverse impacts and its future; and continuing to monitor information relating to emission impacts and to assess the City's right to close the Airport.

Much of this work is completed, and the remainder is ongoing. As to continuing the community dialogue, two community workshops were conducted at Airport Commission meetings on November 26, 2012 and April 1, 2013. At the first, sixteen members of the public spoke. Generally, they supported small-scale, incremental enhancements to the non-aviation Airport land. And, both the public and Commission requested that the Phase III work be expanded to include future possibilities for the aviation land, including the elimination of flight schools, leaded fuel sales and all aviation activities on the quit-claimed parcel; and reduction in the number of FBO's and tie-downs. Staff explained that these proposals were outside the scope of the consultant's work. At the second workshop, the public input included: complaints from the aviation community about both

the legality and potential impacts of the proposed landing fee program; and questions about how to reconcile the HR&A report on the economic impacts of the Airport (which notes that the Airport has positive impacts on the local economy) with the landing fee study (which notes that the current fee structure does not cover costs of operating the Airport). In addition to the two workshops, staff publicly presented information at Commission meetings throughout the year, including information about flight operations, operational restrictions at other airports and muffler testing. Additionally, information was shared on both the Airport website and the Airport Visioning website, which will be maintained through the end of this year.

As to the potential for "greening" the Airport, Airport staff worked with the Office of Sustainability and the Environment (OSE) to update the Airport's sustainability plan and complete energy and water audits. Additionally, staff has completed some water-conservation improvements and has identified three other small projects: reducing operational hours for the HVAC system, installing heat pump economizers and installing return air programmable thermostats. This effort will result in the Airport Administrative Office earning its Green Office Certification by June 2013 and serving as the pilot for the City's Green Office program. Additionally, IBI analyzed the prospects for a sustainable transportation incubator. Staff also continued to monitor possibilities for emission reduction and to facilitate and support efforts to assess health impacts of aircraft emissions. Those efforts are ongoing. The Airport Cooperative Research Program, which is studying lead emissions at four airports, will conduct its research at SMO in July. The City is also partnering with the University of Kansas to seek funding for a research center dedicated to studying green aviation technology.

As to making the Airport a better community contributor, staff implemented Council's direction to study landing fees by hiring WJ Advisors to conduct a study and make recommendations. That work is completed and is summarized below.

As to making the Airport a better neighbor by reducing flight school operations, staff studied relocating operations to other airports through a financial incentive program. This possibility was ultimately abandoned based on strong opposition from community members and other cities. Staff also identified possible changes to the configuration of leaseholds that would reduce adverse impacts. Additionally, staff surveyed operations and noise restrictions at 43 comparable airports located throughout the United States. Attachment F is a chart showing the results. As to all 43 airports, staff's research included an interview with each airport's noise management staff and a review of each noise management program as described in a data base developed by The Boeing Company, which is updated annually. Of the 43 airports surveyed, 27 have some mandatory aircraft operational restrictions. These restrictions include limits on: maximum allowable noise levels, departure and arrival times (curfews), maintenance run-up, pattern flying, auxiliary power units, and night operations; but each airport has different restrictions.

In addition to outright restrictions, many of the 43 airports also have voluntary programs intended to reduce neighborhood impacts. These programs include, among other things, recommended noise limits, voluntary curfews, recommendations on maintenance run-up hours, and requests regarding pattern flying. Generally speaking, it is difficult to compare the effectiveness of these programs because the restrictions vary significantly. For instance, most airports that have noise restrictions measure and limit the real-time noise level. However, other airports enforce a maximum allowable noise level based upon FAA certified and published noise levels for specific aircraft. If an aircraft exceeds the FAA "certified" noise level, that aircraft is not permitted to operate at the airport.

Staff also continued its intermittent discussions with FAA personnel on possibilities for reducing adverse impacts of Airport operations sufficiently to make voluntary resolution of Airport issues a viable alternative to a legal battle over Airport closure. The FAA

representatives expressed their strong commitment to their central mission of keeping airports open in order to maintain a robust national air transportation system. However, they also indicated their willingness to consider changes to the Airport within the restrictive parameters of federal law. Additionally, staff met with representatives of the national aviation associations who have conveyed their concerns about maintaining the Airport and Airport access. And, of course, legal staff continued its assessment of the City's legal rights and work on the City's legal arguments.

## **Other Information And Views Obtained During The Last Year**

### The Airport Commission's Recommendations

During the Phase III period, the Airport Commission has provided significant input, including four sets of written recommendations to the City Council. The Commission's recommendations include, but are not limited to:

- Increasing landing fees sufficiently to cover costs and eliminating the exemption for based aircraft;
- Discontinuing leases with tenants whose business activities adversely impact Airport neighbors;
- Gathering more information on impacts of emissions and urging the Air Quality Management District to act to curtail emissions through adoption of an Indirect Source Review Rule;
- Installing runway safety areas at both ends of the runway;
- Requiring Airport users to maintain toxic tort liability insurance;
- Requiring flight operations permits issued by the City;
- Removing from Airport operations the 18.269 acre parcel that was quit-claimed to the City after World War II as soon as possible and take any other actions to reduce Airport operations to the legally required minimum;
- Reducing operations through exercise of the City's proprietary powers to the maximum through the adoption of ordinances, similar to those adopted elsewhere, that will reduce operations to protect neighbors, including a Non-addition Rule and Operation Reduction Rule.

In addition to making written recommendations, the Commission also shared its views with the community and staff at the two, Phase III workshops. Among other things, the Commission asked if staff could expand the Phase III study to include: the elimination of aviation use of the parcel quitclaimed to the City after World War II; the elimination of flight schools, reducing the number of tie down spaces and FBO's and eliminating the sale of leaded aviation fuel -- after the expiration of the 1984 Agreement.

#### Staff's Collection of Data On Mufflers and Patterned Operations

While the consultant studied possible improvements to the non-aviation land, staff focused on operations, undertaking various projects intended to gather data and information to inform Council's consideration of the Airport's future. In addition to the information about operational restrictions at other airports, staff also surveyed landing fee programs at other airports. This information showed that most general aviation airports charge no landing fees, most that do exempt based aircraft, and some charge landing fees to all aircraft, including based tenants.

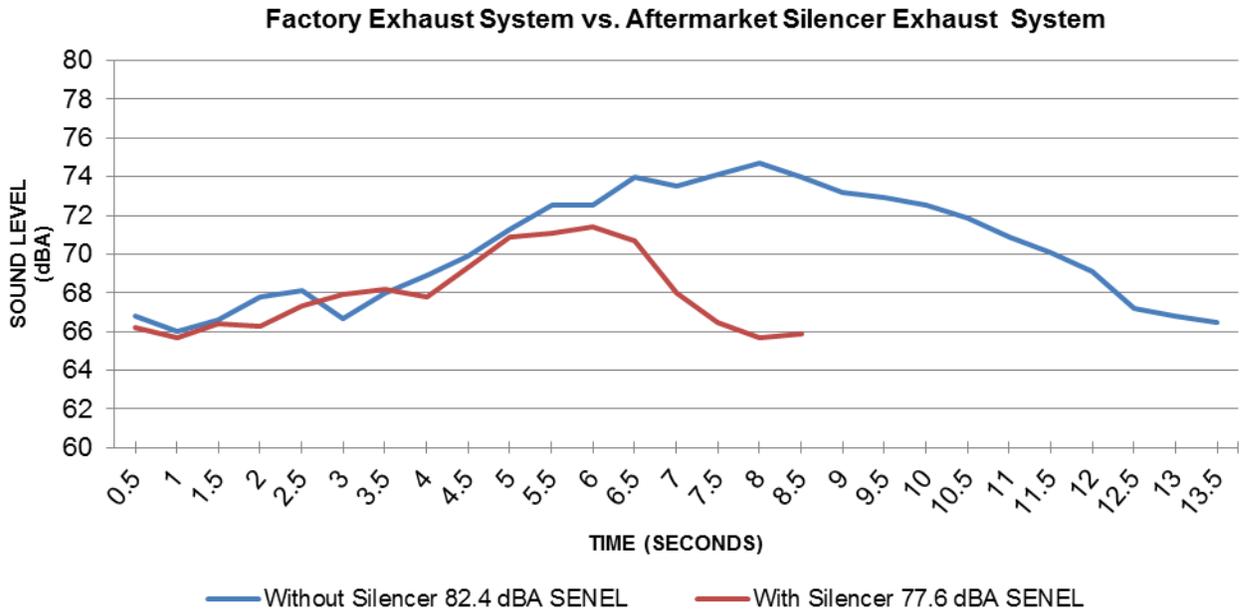
Additionally, in order to identify and evaluate all possible options for addressing neighbors' concerns about noise, staff took two actions. First, staff asked the City's noise consultant to evaluate the Airport's noise contours in order to determine whether the City could make the showing required by ANCA to lower noise limits. (The conclusion was that it could not.) Second, in December 2012, staff conducted a noise-level flight-test program to determine the effectiveness of an aftermarket exhaust muffler system in reducing the noise level of the most common flight training aircraft used at the Airport.

The test was conducted on two days, using a single-engine Cessna 172 and a Low Noise Engine Exhaust Silencer Kit System, which the FAA has approved for use on the Cessna 172. On December 6, 2012, staff measured the aircraft's noise level with the factory-installed muffler system. Eleven days later, staff measured the same aircraft's

noise level with the after-market exhaust muffler system installed. Weather conditions were practically identical on the two days, the plane flew identical maneuvers, and noise measurements were taken from all six of the Airport's remote noise monitoring sites on both days. During analysis of the data, staff opted to use the noise measurements from remote monitoring stations (RMS) #1 and #4 because the data collected from these sites, which are 1500 feet and 4000 feet from the western runway end respectively, was most distinct. (As to other sites, it was somewhat difficult to distinguish between aircraft noise and background noise.) Sunset Park residents observed on both test days.

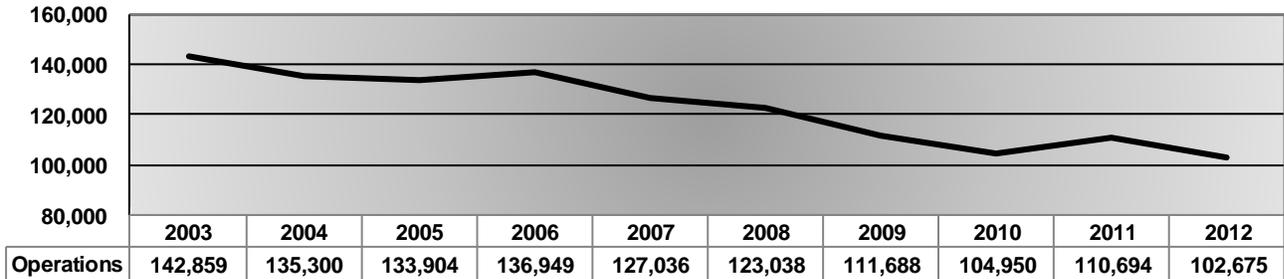
The results indicated that the muffler system reduced noise levels. The Single Event Noise Exposure Level was reduced at Site #1 between 4.8 and 8.3 decibels and at Site #4 between 3.5 and 5 decibels. And, the duration of the noise event was reduced by two to six seconds at RMS #1 and by four to nine seconds at RMS #4. Sunset Park residents reported perceiving that noise was reduced when the aircraft approached and that the noise dropped off significantly when it passed by. Staff's observations were the same: the aftermarket muffler decreased noise from approaching aircraft and caused the noise level to drop off dramatically when the aircraft passed.

The graph below depicts sound measurements taken during the test at RMS #1, which is located approximately 1,500 feet from the runway's west end. Attachment G shows the location of all six monitoring stations.

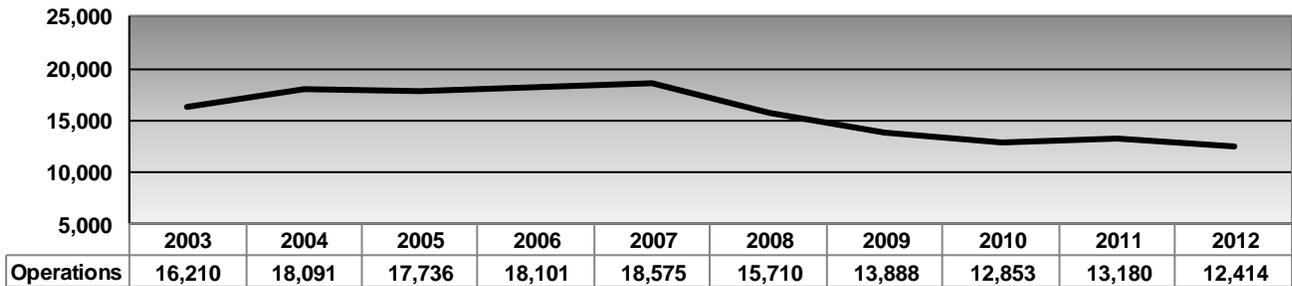


Staff also continued its ongoing monitoring of Airport operation statistics. Last year's operations were the lowest of the last ten years, with an annual total of 102,675 of which 12,414 (12%) were jet operations. The graphs below depict operational trends for the last ten years.

**10 Year Operational Trend**



**10 Year Jet Operational Trend**



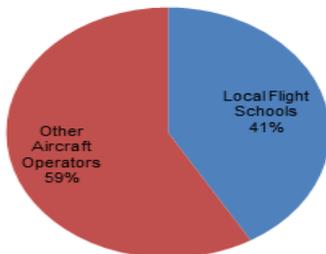
In the past, residents have questioned both the FAA's and the City's statistics, particularly with regard to the percentage of total operations consisting of patterned operations. To address this dispute and attempt to resolve conflicting views, staff conducted a detailed count and analysis of aircraft operations. This project was undertaken during a two week period beginning September 10, 2012. Staff and student interns visually observed and recorded all aircraft operations that occurred during non-curfew hours (7a.m.–11p.m. on weekdays and 8a.m.–11p.m. on weekends.) Additionally, staff recorded operations during curfew hours utilizing the Airport's noise and operations monitoring system. After gathering data, staff verified it by correlating the observed aircraft operations with Air Traffic Control radio recordings.

The results were as follows:

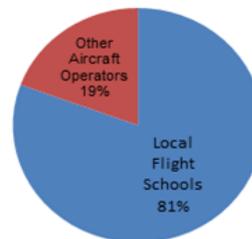
<u>Type</u>	<u>Operations</u>	<u>Percentage of Operations</u>
Propeller Aircraft	2,816	81%
Jet Aircraft	517	15
Helicopter	144	4
TOTAL	3,477	100%

Data on patterned flying was also collected during this period. Staff found that there were 918 total patterned operations, which equates to 26% of all operations and 33% of piston aircraft operations. Staff also analyzed the percentage of operations attributable to flight schools. The data showed that 41% of total operations and 81% of patterned operations are attributable to flight schools. These pie charts illustrate the results.

**% of Local Flight School Operations to Total Operations**



**% of Local Flight School Operations to Pattern Operations**



Attachment H provides additional information on operations.

Also, during the Phase III period, consultants conducted the City-wide, bi-annual Resident Satisfaction Survey. In response to an open-ended question about residents' main concerns, only one percent of those surveyed stated that Airport noise was a concern. This is similar to the results in 2009 and considerably lower than in 2011, when 10% listed it as a concern, perhaps because that was the first survey after the FAA tested the 250 degree heading, which routed departing aircraft. The survey data

suggests that Airport impacts are not a significant concern City-wide. Survey respondents ranked them as number 17 out of 20 possible concerns.

During Phase III, staff communicated with the local aviation community on many occasions and on a variety of issues. And, staff has also had contact with representatives of the national aviation associations who contacted staff to convey their strong interest in the future of the Airport. Representatives of the Aircraft Owners and Pilots Association (AOPA) and the NBAA have both conveyed their interest and concerns to City management. Additionally, senior staff met with FAA representatives, both in Washington and locally. They have expressed their strong commitment to their central mission of keeping airports open and available to the public for aviation use. However, they have also indicated their willingness to work with the City on changes to the Airport within the restrictive parameters of federal law.

Staff has also continued to monitor trends and changes in the aviation industry. Most notably, business jets have become more fuel efficient and quieter, which is the trend locally and nation-wide. And, the government and the aviation industry have begun working diligently to develop viable bio-jet fuel and unleaded gasoline. In July of 2011, the federal government approved bio-jet fuels for commercial aviation use. Also, there have been significant navigation improvements with the development of GPS technology which will, in the future, be utilized to define flight tracks more precisely and efficiently. Indeed, the FAA is working on its Metroplex program, which will reconfigure the airspace over the Los Angeles region. Exactly when and how this development will impact SMO remains unknown. Likewise, the local impact of the federal government's current plan to close airport towers is unknown; and that plan, which is currently the subject of multiple lawsuits, may change.

## **Discussion**

The Airport controversy reflects changing circumstances and disparate goals. The Airport was first built in an agricultural field; today, 90 years later, it is surrounded by

dense residential neighborhoods on three sides; and its runway ends are less than 300 feet from homes. Residents want to live in quiet, safe, and healthy neighborhoods; the aviation community wants to continue its historic use of the Airport. The City's mission is to protect and promote the health, safety and welfare of its residents; the FAA's is to protect and promote the national air transportation system.

The City's challenge in achieving successful resolution of these conflicts is exacerbated by the legal realities. The City owns, operates and is responsible for the Airport. But, aviation activities are governed by federal law, which predominates pursuant to the supremacy clause of the Constitution. And, federal aviation law is interpreted and administered by the FAA. Moreover, the City, as owner of the Airport, has proprietary rights; but their exact scope is subject to judicial interpretation, and the federal court decisions vary across the circuits.

For decades, the City's ability to protect residents and their quality of life against adverse Airport impacts has been severely constrained by legal and contractual limitations, including those arising from the 1984 Agreement and grant conditions. However, the Agreement and grant conditions will expire relatively soon – the Agreement in 2015 and the grant conditions in either 2015 or 2023. Their expiration will bring new opportunities, and the community debate about which opportunities to pursue has intensified as the expiration dates approach. This section discusses present and future opportunities.

### **Modifying Landing Fees**

As noted by both Council and the Airport Commission, one important opportunity is modification of the landing fee program. While the HR&A study showed that the Airport contributes to the local economy, its impacts upon the City budget are negative. For many years, the City's General Fund has subsidized Airport operations; but, demands upon the General Fund have increased. And, current fiscal realities, including the end

of redevelopment, dictate that all City enterprises, including the Airport, must become self-supporting. Additionally, City residents living near the Airport have expressed growing opposition to "subsidizing" Airport operations with General Fund dollars.

Landing fees are an important mechanism for insuring that airfield operations are as self-sustaining as possible and that the cost of maintaining and operating the Airport is born principally by those who use and profit from it. Accordingly, Council directed staff to study landing fees and propose any changes warranted by the study, including increasing the fees and eliminating the exemption for based aircraft. A copy of the landing fee study is attached to the brief, separate report covering the fee resolution.

The fee study's basic methodology included examining Airport revenues and expenditures to separate aviation from nonaviation-related activities and calculating the annual gross landed weight for all Aircraft using the Airport. The results showed that recovering all of the City's costs of maintaining and operating the Airport's public-use aviation facilities would require that the landing fee be increased from the current rate of \$2.07 to \$5.48 per thousand pounds of certificated maximum gross landing weight and that the fee be made applicable to all aircraft, including those based at the Airport. These changes would provide sufficient revenues to maintain the public-use runways, taxiways, taxi lanes, ramps, and grounds, which comprise the public-use aviation facilities. Thus, based on the fee study, staff recommends that Council adopt the attached resolution revising the landing fee program to help ensure that, to the extent possible, the cost of maintaining the public-use aviation facilities at the Airport is borne by the users of those facilities. Staff also recommends eliminating the landing fee exemption for the 370 aircraft currently based at the Airport. This would ensure that the operators of those aircraft pay their fair share of maintenance costs and operations based on their actual use of the facilities.

In addition to the fee study, staff's recommendation is also based on its research into practices at other general aviation airports serving urban areas. This research showed that most general aviation airports do not charge landing fees at all (because they want to encourage usage) or do not charge them to based aircraft (because the owners pay rent). But a number of general aviation airports do charge landing fees to based aircraft. Specifically, staff identified at least seven other urban, general aviation airports that charge landing fees to based aircraft: Imperial County Airport (California), Teterboro Airport (New Jersey), Adirondack Regional Airport (New York), Montauk Airport (New York), New Castle Airport (Delaware), Republic Airport (New York) and Willow Run Airport (Michigan). And, charging landing fees to based aircraft is becoming more common as airport owners begin funding control towers and as technology facilitates fee collection.

Staff gave presentations of the fee proposal to the aviation community both before and after the Airport Commission meeting of April 1st. Members of the aviation committee opposed both the proposed increase in fees and the proposed elimination of the exemption for based aircraft. They expressed concern about adverse impacts upon Airport businesses (particularly flight schools) and upon nonprofits that utilize the Airport for humanitarian purposes, such as Angel Flight. And, aviation community members indicated that they may file legal challenges to the proposed fee program. At this time, the impact of the proposed fee increases upon Airport businesses is uncertain. As to a legal challenge, staff believes that the fee would be upheld but will continue to monitor and assess any specific legal issues raised by opponents of the proposed fee.

In order to enforce the proposed landing fee program, the City would need to purchase and install new camera equipment to record landings attributable to patterned operations. Therefore, staff recommends an effective date of August 1, 2013 for the proposed landing fee program. This delay will also give the City and Airport businesses time to plan for the change.

## **Improvements to Public Spaces and Potential Uses of Non-Aviation Land**

While most of the community debate about the Airport's future has focused on aviation operations, many participants in the visioning process complained that the Airport does not afford benefits commensurate with its adverse impacts. They noted that the Airport's non-aviation facilities, with the exception of the park, are not consistent with the City's general standards for the quality of public streets and public spaces. Thus, Council directed that Phase III of the visioning process should include exploration of changes to the infrastructure and uses of the non-aviation land which would bring the Airport up to City standards and enhance its benefit to the community.

IBI studied these issues and formulated recommendations responsive to community concerns and the Council's direction. In general, IBI recommends: limiting development of non-aviation lands to protect quality of life and prevent increased traffic; expanding recreational and educational uses and facilities; upgrading infrastructure, grounds and facilities to improve aesthetics and meet City standards; and improving pedestrian and bike facilities and mass transit connections. IBI's work and specific recommendations fall into four categories: access and parking; uses, alignment and design; facilities design and engineering; and incubator feasibility. For each category, IBI has divided the possibilities into those that could be implemented before and after 2015.

### Access and Parking

IBI evaluated public streets, sidewalks and parking at the Airport, focusing on potential multi-modal improvements to Airport Avenue. IBI concluded that, prior to 2015, the City could make street repairs, meet ADA standards, improve walkability and bike friendliness, encourage use of multimodal access, and resurface and restripe parking areas. After 2015, the City could improve the intersection at 23<sup>rd</sup> St. and Walgrove Avenue, and could significantly enhance Airport Avenue through streetscape improvements including tree planting, sidewalk widening, and installation of traffic-calming devices, construct a bike path, and install street furniture, among other enhancements. Additionally, the IBI suggested that the City could create activity spots for community use in underutilized spaces, including parking areas.

### Non-aviation Uses

IBI also analyzed the current uses of the non-aviation land and developed scenarios for a future mix of recreational, entertainment and commercial uses consistent with the community priorities expressed in Phase II, which include enhancing recreational space and facilities, providing light community-serving retail, and protecting and possibly expanding uses related to arts and education. Four scenarios were identified: (1) a baseline scenario of maintaining current buildings and uses with adequate maintenance; (2) retrofitting current buildings to increase the quality of the building environment and maximize rents, perhaps with a change in the tenant mix; (3) maintaining the existing built environment and uses and focusing on converting underutilized land into recreational open spaces; and (4) maintaining current building and uses and complimenting them with key community-oriented enhancements such as pocket parks and community activity spots, and with small in-fill buildings. IBI recommended the fourth approach as the most strategic and noted that, before 2015, implementation could be studied, improvements could be made to Airport Avenue, and more events could occur at the Airport. After 2015 and if the City decides to maintain and modify the Airport, this strategic approach could be applied to aviation land through formulation of an Airport facilities improvement plan. However, implementation would be contingent on the availability of funding.

### Facilities Design and Engineering

IBI also studied the condition of existing facilities and infrastructure to assess opportunities and limitations. IBI concluded that before 2015, the City could: develop architectural standards for new construction that would maintain the Airport's historical quality and low-intensity; determine which facilities would be re-used, renovated or potentially demolished and rebuilt; soften the existing infrastructure with greening and alternative storm water management; and integrate active transportation. After 2015, the City could identify and implement access strategies on the south side of the Airport and ensure that all future, onsite projects align with the community's vision for the Airport.

### A Creative Innovation-Manufacturing District Instead of an Incubator

As to the feasibility of developing a Sustainability Transportation Incubator and a Sustainability Center, IBI recommends an alternative: a Creative Innovation District, rather than a singular incubator project. IBI envisions the City in role of "curator" of certain activities, rather than as a developer of a structure or structures that would provide incubator space.

Three groups of activities or uses could be encouraged through this decentralized quasi-incubation concept. The first could be a core group of local entrepreneurs/tenants dedicated to manufacturing handcrafted products through sustainable practices. This group might include makers of furniture and musical instruments, new-technology bicycle manufacturers and coffee roasters. A second group could be tenants of emerging creative-class businesses, including startups of media/web-based services, architectural firms, fashion designers, and other members of the entertainment and arts communities. The third group of occupants could be local entrepreneurs that would provide venues for social interactions, such as microbreweries, cafes, restaurants, and book shops.

IBI recommends the creation of a creative innovation manufacturing district, rather than an incubator, because, among other things, the concept is more flexible and less costly to the City. Moreover, this approach would better reflect input received in Phase II because it would better maintain the Airport's current context and scale and better reflect a wider range of City values. Prior to 2015, the City could do additional assessment, form a multi-party entity to administer the district, secure funding, and develop model lease guidelines for groups of tenants. After 2015, the City could, among other things, develop a communications and marketing plan, begin leasing existing buildings for non-retail uses, and later lease to retail spaces (once the area is established). Staff supports the IBI recommendations and requests that Council discuss and comment on them and provide appropriate direction to staff.

## **Potential Changes to Airport Operations, Policies and Uses of Aviation Land** Approaches to Reducing Adverse Impacts

Council directed staff to identify possibilities for restrictions on operations and other measures that would reduce adverse impacts and to continue communications with the FAA about such possibilities. Staff's communications with the FAA and with the local and national aviation communities indicate some flexibility and willingness to consider alternatives. They understand that, because of adverse Airport impacts, accepting the status quo is not an option from the City's and many Airport neighbors' perspective and that, if the Airport cannot and does not change, a closure fight appears likely. This understanding may foster acceptance of voluntary operational limitations and even outright restrictions.

Generally speaking, the FAA strongly favors achieving City goals through voluntary measures, rather than through restrictive regulations, and through approaches that have already been successfully utilized at other airports. Additionally, the FAA has indicated that it will willingly consider, and is not inclined to oppose, even novel voluntary measures that would reduce impacts so long as those measures respect federal law. However, the FAA has noted that, given its adjudicatory responsibilities, it cannot prejudge the legality of any issues related to Airport operations or take any other actions that would compromise its ability to determine any administrative cases that may arise from any dispute about operational restrictions, landing fees or the Airport's future.

Staff's dual goals in this effort have been to identify restrictions that would minimize adverse Airport impacts and ascertain the full extent of any improvements that could be made voluntarily or unilaterally but without litigation. Once more is known, the Council will be situated to fully understand and assess the City's options. Meanwhile, staff believes that there is more to learn about the prospects for reducing adverse Airport impacts. And, given the existence of the 1984 Agreement and the grant conditions, there is more time for learning.

### Proposals for Limiting Impacts Through Leasing Policies, Layout Modifications, and Voluntary Restrictions and Other Nonregulatory Means

Most of the discussion about reducing adverse impacts has focused on operational restrictions which would directly or indirectly limit access to the Airport. However, other approaches exist and will become increasingly available to the City with the expiration of the Airport leases, the 1984 Agreement, and the grant conditions. These approaches should be fully explored because they are significantly less likely to be challenged by the federal government than outright restrictions on operations or access and because there is some additional time for exploration. Therefore, staff recommends continued evaluation of improvements possible through: modifying leasing policies and the tenant mix; imposing performance standards through leases; reconfiguring the Airport to minimize adverse impacts on residential neighborhoods; and continued discussion with the FAA and the aviation community.

Staff's investigation of these possibilities to date indicates that they could yield a significant reduction in the adverse impacts of noise, which is the residents' number one concern. Staff and the Airport neighbors agree that a high percentage of operations and noise complaints result from flight school operations. This is not surprising. There are six flight schools at the Airport. Their patterned operations constitute a significant percentage of total operations. These operations are undertaken at low altitude and consist of repetitive over-flights above residential neighborhoods in Santa Monica and Los Angeles. Thus, noise could be significantly reduced if patterned operations were reduced.

A reduction might be accomplished by altering the mix of aviation businesses through future leasing policies, which could change the tenant mix so that aviation needs and legal requirements are met, but the number of businesses that adversely impact neighbors are minimized. For example, at present, the 1984 Agreement requires three full service FBO's. Once the Agreement expires, that requirement will no longer apply.

And, at present, there are six flight schools on the Airport. When the current leases expire, that number can likely be reduced.

Additionally, flight school operations might be limited through lease terms or other voluntary agreements. In 2011, flight school operators agreed to a stricter voluntary curfew on repetitive operations than the general curfew imposed by the Municipal Code. (The voluntary agreement covers repetitive operations after 8 p.m. during Daylight Savings and on Sundays and after 9:00 p.m. at other times.) This program has been successful. Since its inception in January 2012, staff reports that there have been only ten instances of deviation. This could be a model for more stringent restrictions, which flight school operators may be willing to consider in order to avoid the risks of a closure fight.

Similar approaches could be used to address air pollution. For instance, leasing policy might be changed to favor the selection of tenants who agree, for example, to dispense the most environmentally friendly fuels available.

Staff's research shows that noise impacts of patterned operations can also be reduced through other means. The muffler testing project demonstrated that significant noise impact reductions can be achieved by retrofitting aircraft with mufflers. Additionally, staff is evaluating other sound mitigation equipment that allows pilots to reduce noise and conserve fuel by adjusting propeller pitch and revolutions per minute. Theoretically, the City may be able to incentivize or require retrofitting of some or all training aircraft through its leases with flight school operators. Staff proposes to further explore this possibility and is therefore recommending development of a pilot project to retrofit aircraft used in flight training and including \$200,000 for funding the project in the upcoming budget. At present, staff anticipates that the pilot program would involve matching grants.

Other gains are possible through reconfiguration of the uses on aviation land. For example, the aviation related businesses and activities could all be relocated from the south side of the Airport, where they are near a residential neighborhood, to the north side of the Airport, which is adjacent to a business park. This possibility might entail decommission and removal of the lower-south taxi lane (east of the American Flyers leasehold) and the removal or relocation of other facilities, including the 22-T hangars, transient aircraft parking, and ramps. These possible changes would have the advantage of separating aviation from residential uses, which could mitigate both noise and air pollution. Staff proposes to assess the extent of the potential gains afforded by all of these possibilities.

Staff also proposes to continue working with the FAA and aviation community to try and achieve these goals through all possible means and to also pursue other goals that the City cannot attain through local regulation – the most important being headings on takeoff. This issue became a source of heated conflict in 2009-2010 when the FAA tested its proposed 250 degree heading, which routed slower, propeller-driven aircraft over Ocean Park rather than straight to the coast. The FAA has stated that a revised heading is or may be necessary to achieve the required separation between planes departing from Los Angeles International Airport (LAX) and SMO. Staff has argued that the advent of GPS technology affords navigational precision that may allow for flexibility in separation requirements. Additionally, staff has argued that a waiver from separation standards would be appropriate in Santa Monica's case because routing departing planes over Ocean Park's hills effectively decreases their altitude. So far, the FAA has not indicated flexibility. Instead, it has announced that the issue will be considered later, as part of its Metroplex study, which will redesign airspace for the entire region. And, whenever the issue is considered, residents of Venice will argue that departures from Santa Monica's airport should be routed over Santa Monica. Staff proposes to continue working on this difficult issue, but since the City cannot control aircraft in flight, local regulation is not an option. Therefore, staff proposes to continue working with the FAA formally and informally.

## Proposals for Limiting Operations Through Local Regulation

Through the Visioning Process and otherwise, staff has received many suggestions for local laws that would restrict operations in order to reduce noise and air pollution and enhance runway safety. Generally speaking, most of these suggestions involve: banning types of aircraft; banning or limiting flight schools and patterned operations; lowering noise limits; or expanding curfews. Other suggestions involve changes to the runway for the purpose of enhancing community health and safety, which would have the effect of limiting Airport access.

Community members propose eliminating all flight schools or banning patterned operations. These goals would probably be difficult to achieve. Pilots with aircraft based at the Airport must periodically "qualify" to maintain their certifications, and this requires undertaking patterned operations training at the base airport – a requirement that functions to promote safety. Staff has been unable to identify any airport that prohibits patterned operations. And, the City's current restrictions on repetitive operations are relatively strict – only one of the surveyed airports in the region has comparable restrictions. Thus, the FAA and aviation industry would almost certainly oppose any attempt to prohibit patterned operations or entirely eliminate flight schools. And, they could challenge a City law or policy that allowed only one flight school on the basis of the federal prohibition against creating "exclusive rights" at airports, which exists independently of grant conditions.

Nonetheless, the aviation community may accept more stringent imitations to avoid or resolve an Airport closure fight, particularly because flight training at the Airport, beyond what is necessary to maintain pilots' certifications, may be perceived by the federal government and aviation community as less vital than protecting Airport access and SMO's reliever function. Thus, it may be possible to significantly curtail patterned operations through a combination of restrictions and voluntary measures. And, given the significant percentage of operations attributable to flight training and its

environmental impacts, staff believes that this dual approach affords significant possibilities for reducing adverse Airport impacts.

Other proposals for regulations include strengthening noise limits and expanding curfews. Specifically, staff has considered the possibility of reducing the maximum allowable noise limit. This change would effectively require operators of noisier aircraft to change their mode of operation, primarily by reducing aircraft takeoff weight, which would reduce the overall noise signature of the event, thereby reducing the adverse impact on Airport neighbors. However, the FAA apparently takes the position that further reductions to Santa Monica's noise limit could only be undertaken pursuant to ANCA requirements, and the City's noise consultant reports that the City cannot meet the ANCA standard. The City might successfully argue that the ANCA requirements do not apply once the grant conditions expire. This is a legal issue that requires more exploration. Meanwhile, staff's research indicates that the City's current noise regulation, which preceded the adoption of ANCA and is grandparented, is one of the most stringent in the nation – a fact which could make it difficult to defend adoption of a more stringent standard in a legal proceeding. Nonetheless, because noise is the number one community concern, staff proposes additional work on all possibilities for noise regulation.

Regulatory changes to curfews have also been proposed. The Municipal Code currently prohibits engine starts or departures between 11:00 p.m. and 7:00 a.m. on weekdays and 11:00 p.m. and 8:00 a.m. on weekends. There is no curfew on arrivals. Staff's survey shows that only eleven of the 43 airports surveyed have curfews. And, among airports in the region included on Attachment F, only Torrance has an earlier departure curfew. As to arrival curfews staff has identified only two airports in the country that have them. Staff will obtain more information on those airports. Meanwhile, staff has considered trying to expand the curfew by one hour. However, this would likely have minimal impact because so few planes depart after 10:00 p.m. or

arrive after 11:00 p.m. And, since this would be a direct limit on access, it is more likely to generate litigation. So, this option probably poses a clear litigation risk for a minimal gain.

Residents' other major concern, besides noise, is air pollution. Some have suggested banning fuel sales altogether. This goal is probably unattainable. Staff is unaware of any airport in the country at which fuel sales are prohibited, and the federal government would likely strenuously oppose any such restriction. Other community members have proposed banning the sale of certain classes of fuels. Given that considerable federal and private resources are being expended on the development of alternative aviation fuels, staff recommends monitoring and promoting developments in green aviation fuel, continuing to cooperate in air quality and health-impact studies, and continuing to evaluate prospects for addressing issues of air pollution through lease terms and incentives, rather than through regulation. The City's exploration of green aviation fuels will continue with a symposium at the Airport, scheduled for June of this year.

Also, as in the past, many community members suggest addressing adverse impacts and enhancing safety by expressly banning jet aircraft outright or by reconfiguring the runway and installing runway safety areas, which would enhance runway safety by shortening the useable runway and thereby restrict jet access. Community members who favor attempting to ban jets rest their arguments on the Airport's size and location, which make it more suitable for smaller, piston-driven aircraft than for faster and larger aircraft. Homes are located within 300 feet of the runway ends, and there are no runway safety areas or buffer zones. The Airport is sited below the hills of the residential neighborhood immediately to the east and above the residential neighborhood immediately to the west. Busy arterial streets lie between the Airport and both neighborhoods. Residents of both Santa Monica and Los Angeles therefore continue to urge that jets should be banned and that runway safety enhancements (which would effectively shorten the runways) must be installed.

This is exactly the position that the City took in its long and difficult battle with the FAA over the Aircraft Conformance Program. The FAA argued in that case that, because jet aircraft have a better safety record than piston aircraft, it is discriminatory to ban them. The FAA prevailed; and, today, the agency takes the position that the jet ban litigation legally determined the Airport to be safe for jets. Therefore, while the FAA strongly supports safety enhancements at airports, it will continue to vigorously oppose any attempts to ban jets from the Airport or to effectively exclude them by shortening the runway. Thus, it appears unlikely that the exclusion of jets is attainable short of closure or partial closure of the Airport, which would entail its own set of issues and concerns. Nonetheless, staff recommends continuing to explore possibilities for enhancing runway safety.

Finally, other suggestions for restrictions include restrictions that have been adopted elsewhere and upheld in court. These include Van Nuys' "Stage II Non-addition Rule" and New York's "Operation Reduction Rule" for helicopters. Staff agrees that any restriction, which has been upheld in court, is worth considering. However, both of those cities' restrictions address circumstances quite different than Santa Monica's.

### **Fighting for Closure: Uncertain Results**

Although the City-wide resident satisfaction survey shows that Airport impacts are not a major concern to most residents, the Visioning Process made one thing very clear: many Airport neighbors will not accept maintenance of the Airport status quo after the expiration of the 1984 Agreement and the grant conditions. And, the work done to date shows that adverse impacts can be reduced and improvements can be made. Thus, the questions for Council consideration become: can the City envision and create an improved Airport that is a good neighbor and that benefits the community? Or, should the City fight to close the Airport?

That attempting closure would necessitate a legal fight is certain. In general, the FAA and the national aviation community share the core mission of keeping airports open. AOPA reports that, in 1969, there were 7,192 public use landing facilities in the country; and, in 2009, there were 5,178. Both the FAA and the larger aviation community staunchly and unswervingly oppose this trend. The FAA condones no closures and allows or suffers them only on very rare occasions. The industry is very well organized, politically influential, and expert at fighting closures. As to SMO, the FAA has previously and strenuously argued that Santa Monica cannot close the Airport because the post-war transfers obligate operation of the Airport in perpetuity. The FAA has also argued that the grant obligations require the City to operate the Airport until at least 2023. In response, the City has argued that the grant conditions expire in 2015 and that the post-war transfers do not obligate the City to continue to operate the Airport indefinitely. Ultimately, a court would have to resolve these issues. However, the City's ultimate chance of prevailing in court is difficult to predict. What is certain is that the issues would likely take several years to resolve and that the final decision would not be the City's, but the judiciary's.

Moreover, there is additional uncertainty, which could be an even more significant consideration. Closure and reuse of the land for another purpose or purposes would have collateral consequences, which are difficult to predict but must factor into Council's consideration of the Airport's future. One of those consequences is very likely increased density and traffic.

Many Airport neighbors who favor closure advocate creating a large park or dedicating the land to other passive use. But, the City simply does not have, and will likely not have the General Fund resources to create and maintain such a very low density use of this valuable property, particularly in this post-redevelopment era. Based upon recent City experience, the design, demolition, and construction costs of a large park would far exceed \$50 Million and might well be multiples of that; and yearly operational costs

would be in the millions. And, City residents, as a whole, might be reluctant to pay the huge cost of a large park located on the City's border with Los Angeles, which would be heavily used by Los Angeles residents. Thus, if the City fights for and finally achieves closure, the Airport land, or much of it, will likely be redeveloped. Moreover, given current trends, the development would likely be dense. This would be a very significant change because the current Airport is a very low-density use of the land. Therefore, one likely eventual consequence of Airport closure and redevelopment of the land would be significant development and attendant impacts, such as increased traffic. And, one more immediate consequence would likely be a difficult and protracted land use debate akin to what Irvine has experienced in the aftermath of the El Toro closure.

Also, if the Airport were closed, flight patterns over the City could be subject to change. Specifically, closure might allow air carrier aircraft arriving at LAX from the northwest to fly over Santa Monica at lower altitudes. Currently carriers bound for LAX from the northwest overfly a navigational aid at the west end of the Santa Monica Airport at approximately 7,000 feet. These aircraft are held at this relatively high altitude to avoid conflicts with Santa Monica Airport traffic and other aircraft transiting through a special flight rules area over LAX. In effect, Santa Monica Airport's presence creates what amounts to a protective bubble in the airspace over Santa Monica. Aircraft, using the Airport, fly through that bubble. But, much larger, commercial aircraft, travelling to and from LAX must stay above it.

Concerns have been expressed that, if Santa Monica Airport closed, these LAX arrivals might be allowed to fly at much lower altitudes. Such a change could have significant noise impacts upon residential neighborhoods throughout the City and in West Los Angeles.

City staff sought information about this possibility from the FAA's Operations Support Group, which, among other things, promotes the effectiveness and efficiency of the

National Airspace System by analyzing and managing airspace and developing air traffic procedures. FAA reviewed staff's request and responded with an email stating: "the Operations Support Group capabilities simulate the cumulative effects of adding noise to a location on a defined air traffic route or at a specific terminal location, but we do not have the ability or resources to speculate what air traffic patterns or operations might look like in a "no airport" scenario. There are too many variables to consider and the resulting modeling would likely not be representative of the ultimate end result." Thus, the FAA apparently will not speculate on the impacts of closure upon commercial air traffic over Santa Monica and the West Side. The closure would certainly make more air space available to commercial carriers, and they might benefit from elimination of the sharp descent currently made by planes incoming to LAX from the north.

Legal uncertainties about the City's authority to close the Airport, and practical concerns about the collateral consequences of closure, have fueled interest in the possibility of a partial closure. This would entail closing only the quit-claimed parcel to aviation use and allowing aviation use to continue on the parcel covered by the Instrument of Transfer, which the FAA claims must be utilized as an airport in perpetuity. Staff recommends further exploration of the issues related to this possibility. Some are legal. Some are policy. Others relate to practical realities, such as the extent of the aviation facilities and operations that could be accommodated on the significantly reduced Airport foot print, the complexity and cost of creating a smaller airport, and the likely consequences of doing so.

**Financial Impacts & Budget Actions**

Approval of staff's recommendations will have no direct financial impacts.

**Prepared by:** Marsha Jones Moutrie, City Attorney  
Susan Cline, Assistant Director of Public Works  
Stelios Makrides, Airport Operations Administrator

**Approved:**

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**Forwarded to Council:**

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Marsha Jones Moutrie  
City Attorney

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Rod Gould  
City Manager

**Approved:**

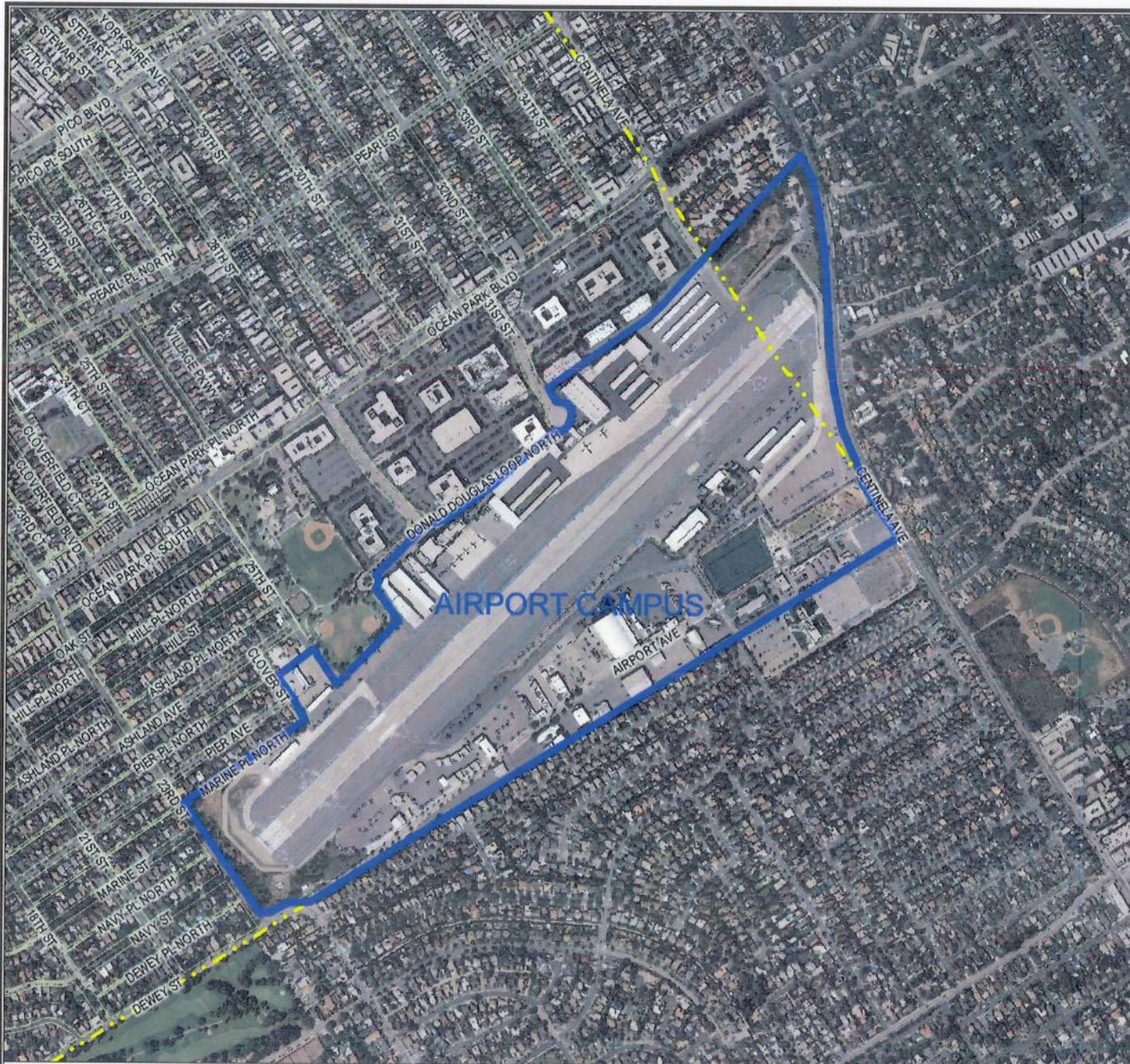
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Martin Pastucha  
Director of Public Works

**Attachments:**

- A. Airport Campus (shown on aerial photo)
- B. Airport Partial History
- C. Parcel Transfers (shown on aerial photo)
- D. Aerial photo of SMO and Surrounding Neighborhoods
- E. List of SMO Appellate Court Decisions
- F. Matrix of Noise Programs at Other Airports
- G. Map Showing Remote Noise Monitoring Stations
- H. Graphs of Aircraft Operational Trends

Orthophoto (1ft, Mar 2010)



# Airport Campus

Scale 1:11,163  
City of Santa Monica GIS  
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ATTACHMENT A

CITY OF SANTA MONICA  
A Partial History of the Santa Monica Airport

1917 - 1940: The Early Years

Circa 1917 - Pilots flying World War I biplanes begin using the site as an informal landing strip.

1922 - Donald Douglas forms the Douglas Aircraft Company. He starts producing and testing military and civilian aircraft at the future site of the Santa Monica Airport and also at an abandoned movie studio on Wilshire Boulevard, which is now the site of Douglas Park.

April 15, 1923 - The Army Air Corps dedicates Clover Field, named after World War I pilot Lt. Greayer "Grubby" Clover, who grew up nearby and was killed in action.

1924 - Douglas Aircraft and Clover Field gain fame when Douglas World Cruiser biplanes are the first aircraft to circumnavigate the globe in the weeks between April and September.

April 14, 1926 - The City holds a special municipal election on park bonds to acquire much of the existing Airport property.

July 10, 1926 - The City acquires a portion of Rancho La Ballona commonly known as the Clover Field Parcel for \$755,000.

August 30, 1926 - The Council accepts the Grant Deed for Clover Field.

June 15, 1927 - The Council changes the name of Clover Field to Santa Monica Airport (SMO).

1928 - The City acquires an additional 60 acres to expand the Airport.

1929 - Douglas enlarges its Santa Monica Airport operations, closes other facilities, and begins to ramp-up production and testing of its early airliners, the DC-3 and DC-4.

August 19, 1929 - Pioneer women aviators participate in the first Powder Puff Derby, taking off from Santa Monica and flying to Cleveland, Ohio, where the race ends one week later. Amelia Earhart, Pancho Barnes, and 18 other participants bring international attention to women aviators and to Santa Monica.

## The War Years and the 1950's:

1941 - 1944 - During World War II, Douglas Aircraft becomes a major defense contractor, employing up to 44,000 workers who work three shifts, seven days a week. This economic engine transforms the City as thousands of new homes are built for the Douglas workers, creating Sunset Park and other neighborhoods.

1941 - The Federal Government leases most of the Airport from the City to provide protection for Douglas Aircraft and participates in expanding the facility to 227 acres to accommodate the burgeoning production of military aircraft. The expansion includes replacing the old, two-runway, "X" configuration with a single runway, approximately 5,000 feet long, designated as Runway 21 (for departures to the west) and Runway 3 (for departures to the east) and two, full-length parallel taxiways.

May, 1944 - The City enters into the first of its 20-year grant agreements with the Federal Government for Airport improvements. The grant agreements obligate the City to maintain the Airport and operate it in compliance with Federal Regulations. At about that time, pilots trained in the military start returning home, triggering the rapid growth of general aviation.

1948 - With the War ended, the Federal Government relinquishes its leasehold, the City and Federal Government execute the Instrument of Transfer, and the City resumes operation of the Airport. The Airport continues to grow during the 50's and 60's as pilots return home from the Korean and Vietnam Wars.

1949 - Bill Lear opens a manufacturing facility on a ten-acre parcel immediately south of the Airport on Bundy. The company grows to 5,000 employees.

April 9, 1949 - The Federal Government, by quit claim deed, transfers an additional 18-21 acres of Airport land back to the City.

1950's - Douglas continues to expand its propeller-driven commercial airliner business - culminating in the production of the 166,000 pound DC-7C, which is capable of transporting 110 passengers at speeds of up to 400 mph for 5,600+ miles.

1959 - Douglas develops the DC-8 to compete with Boeing's 707, and Douglas proposes that the City lengthen the runway to accommodate this new aircraft and also acquire additional acreage to build new corporate offices. The City declines, and Douglas later shifts jet manufacturing to the Long Beach Airport. However, research and development, missile production, and sub-assembly work continue at the Santa Monica Airport plant for a time. Ultimately, after 50 years at the Airport, Douglas closes down its Santa Monica operation, having manufactured a total of 10,724 aircraft at the Airport plant.

## The Post War Era: the Advent of Civilian Jets, and the Early Regulations and Litigation

1960's - The first civilian jets arrive at the Airport as the decade begins. They are "pure jets", about 10 times louder (and more polluting) than present-day fan jets. The noise impacts upon neighborhoods adjacent to the Airport are very significant.

January, 1962 - A public hearing on Airport operations and jet impacts is held at the Santa Monica Civic Auditorium. Later that month, the City Attorney takes the unusual step of issuing a formal opinion on the subject of the City's authority over the Airport. The Opinion states that California law authorizes land acquired for park purposes to be used for airport purposes and that the grant agreements and the transfer documents, executed at the end of World War II, effectively prohibit the City from closing the Airport.

1966 - Western Commander, an established Fixed Base Operator (FBO) at the Airport begins sale and service of the Jet Commander - one of the loudest jet aircraft in the fleet at the time. Western Commander flies prospective buyers to Las Vegas late at night and returns before sunrise. This marketing campaign creates significant, adverse impact for Airport neighbors.

1967 - A large group of Airport neighbors sue the City, claiming that jet operations, which average 5-6 per day, have damaged their property values and created a nuisance. The case eventually makes its way to the California Supreme Court, which decides that, although the plaintiffs' evidence failed to establish their case, the City could be sued by neighbors for Airport impacts on nuisance and other theories. Nestle v. City, 6 Cal.3d 920 (1972). The City reacts by considering a wide range of regulations to shield itself from liability, including a jet ban, jet curfew and even Airport closure.

1968 - The City, having adopted a jet curfew, prosecutes a pilot who violated it. The pilot challenges the validity of the curfew, and the Court of Appeal eventually concludes that adoption of the jet curfew is a valid exercise of the authority to regulate airport usage conferred upon the City by State law. Stagg v. City, 2 Cal.App.3d 318 (1969).

Late 1960's - The growth in General Aviation peaks nationwide. At Santa Monica Airport total operations (takeoffs and landings) reach an all-time high of over 356,000 per year, which equates to 975 per day or 40 takeoffs and 40 landings per hour over 12 hours.

## The 1970's - More Controversy, More Regulation, and More Litigation

1974 - The City creates the "Airport Neighbors Forum" (Forum) consisting of representatives of local airport neighborhoods and interested in aviation for the expressed purpose of developing proposals to mitigate aircraft noise.

1975 - The City Council adopts ordinances designed to reduce aircraft noise based upon the Forum's recommendations. These include, among other things, a total jet ban, a ban on

helicopter flying, a noise limit of 100 decibels, a night curfew, and a weekend and holiday ban on touch and go, stop and go, and low approach operations.

1975 - Douglas leaves the Airport to consolidate its operations in Long Beach.

May, 1975 - The California Attorney General issues an opinion stating that the City cannot, at present, "stop using the Airport land for airport purposes because of the existence of contracts including grant agreements, Federal lease agreements, the Federal transfer agreement, State grant agreements and private leases."

1977 - A coalition of Airport users and businesses file suit challenging the City's ordinances. The Federal District Court upholds all of the ordinances except the jet ban. That Ordinance is determined to be unconstitutional because the evidence showed that newer jets were at least as safe as other aircraft and not necessarily noisier. Santa Monica Airport Assoc. (SMAA) v. City, 481 F. Supp. 927(C.D.Cal.1979). The Ninth Circuit eventually affirms the decision, holding that Federal law does not preempt the City as "airport proprietor" from adopting ordinances intended to limit its liability and protect the City's "human environment." 659 F.2d 100 (9<sup>th</sup> Cir. 1981).

1977 - The Douglas facility is demolished. The City subsequently conducts an economic analysis of the property to determine the best use of the site and explores the possibility of closing the Airport.

### The 1980's - Continuing Controversy Resolved With a Landmark Agreement

1980 - The City again conducts an economic impact analysis of the Airport and determines that more revenue could be generated if the Airport were closed and converted to mixed commercial use. The City notifies Airport tenants on month-to-month leases that their tenancies will be terminated in one year. An Airport business operator sues the City, claiming, among other things, that the City's regulation of his fixed-base operation has unlawfully greatly diminished its value. (California Aviation v. City). The case is litigated in both State and Federal court, and the City eventually prevails.

June, 1981 - The City Council adopts Resolution # 6296 declaring its intention to close the Airport when legally possible. The Federal Aviation Administration (FAA) and the Santa Monica Airport Association (the Airport Association) file another lawsuit, challenging that intent and the new, lowered decibel limit. The matter is assigned to the same judge who decided SMAA v. City. He enjoins the new 85 dB limit Ordinance on the grounds that it was a disguised jet ban, and the City reinstates the 100 decibel limit.

1982 - The parties to the lawsuit reach an agreement to conditionally dismiss, providing the City adopts new Airport Master Plan and Noise Mitigation Project by November 1983.

1983 - The City adopts a new Master Plan that creates two new FBOs on the north side of the Airport (away from the residential areas) and releases a significant amount of aviation

land on the south side of the Airport for non-aviation purposes.

1984 - The City's highly charged dispute with the FAA is resolved through the Santa Monica Airport Agreement, which obligates the City to operate the Airport through 2015 but recognizes the City's authority to mitigate aircraft impacts through the existing noise limit, curfew, helicopter ban, and pattern flying restrictions. The 1984 Agreement also limits the number of aircraft tie-downs, removes land from aviation use, and provides for relocating aviation facilities to the north side of the Airport, away from residential neighborhoods.

1986 - The FAA approves the new Airport Layout Plan. The plan designation indicates that Santa Monica Airport is classified as an ARC B-II Airport.

1986-1989 - Airport improvement projects are undertaken, including a runway overlay, new perimeter road, construction of sound walls and installation of aircraft noise mitigation equipment such as the aircraft noise monitoring system. Also, a major portion of the aviation facilities are moved to the north-side of the Airport and others are moved closer to the southern edge of the runway and farther away from homes.

Late 1980's - Airport operations drop to their lowest level since the early 50's. The City Council considers, but ultimately rejects, a proposal for a large business park on Airport residual land at the southeast edge of the Airport (the Reliance development project). The property remains undeveloped until construction of Airport Park.

### 1990's - Controversy Rekindled By Changes in the Fleet Mix

1990 - Congress passes the Airport Noise & Capacity Act (ANCA), which grandfathers existing noise ordinances/noise restrictions but prohibits airports and their sponsors from adopting new access restrictions based on noise impact without conducting an impact analysis pursuant to Federal regulations. As a result of these new restrictions, Santa Monica's restrictions become among the most restrictive in the nation.

1991 - FAA approves amended Airport Layout Plan again confirming that Santa Monica Airport is an Airport Reference Code B-II airport.

1994 - The City of Santa Monica accepts its most recent Federal grant for airfield improvements, including a blast wall to deflect emissions, runway lights & signage, taxiway slurry seal and restriping, and repair of mid-level tiedown ramps and infield areas.

Mid-1990's - With the booming economy, new development on the Westside, and the advent of fractional ownership of aircraft, jet operations increase from about 5 to 6 per day to around 15 per day. Larger, faster jets in Categories C and D constitute an increasing percentage of jet operations.

1996 - The City begins the process that will enable the construction of Airport Park on the "residual land" set aside by the 1984 Airport Agreement.

1996 - The City convenes an Airport working group consisting of residents, Airport tenants and interested government agencies to review issues involving the Santa Monica Airport. This process eventually yields a lengthy report containing numerous recommendations including conforming Airport usage to the Airport's B-II designation and to current runway design standards.

1998 - The Airport Association files a Federal Administrative (Part 16) complaint with the FAA alleging multiple breaches of the 1984 Agreement. The FAA eventually issues a determination in favor of the City, and the complainant Association seeks review by the 9<sup>th</sup> Circuit Court of Appeals; ultimately, the case is dismissed in 2006 when new leases are entered into with two limited FBOs.

1999 - The Airport Association files a State court action raising issues similar to the prior Part 16 complaint. Several years later, the Los Angeles County Superior Court rules in favor of the City on 28 of 29 issues; and eventually, the California Court of Appeals dismisses the entire action on grounds that the Association lacked standing to enforce the 1984 Airport Agreement between the City and the Federal Government. The dismissal was subsequently affirmed by the California Supreme Court.

July, 1999 - Los Angeles neighbors file a lawsuit against the City in State court (Cole v. City) seeking damages and injunctive relief claiming that aircraft operations at the Airport created liability for the City based on inverse condemnation, adverse health impacts, and nuisance. Eventually, following a lengthy trial, the Court dismisses all the inverse condemnation claims and most of the other claims. Three plaintiffs receive minimal damage awards.

### 2000 - 2009: The Controversy Over Runway Safety

2000 - 2002 - The economy booms, the FAA approves fractional (shared) ownership of jets, and the Airport fleet continues to evolve with total jet operations increasing to about 30 to 40 per day. The City initiates a review and study of the Airport's runways and other operational design features to determine their compatibility with the changing fleet. The study concludes, among other things, that the more demanding Category C&D aircraft now account for 5% of jet operations, that the critical design aircraft using the Airport is now the D-II aircraft (the Gulfstream IV), and that the Airport (which has no runway safety areas), lacks sufficient runway safety areas per current FAA design guidelines for all aircraft approach categories. Additionally, the review concludes that the Airport's geographical layout and the close proximity of runway ends to roadways and residential neighborhoods effectively precludes the construction of the traditional graded runway safety areas. Therefore, the report suggests designating runway safety areas by displacing the landing thresholds 300' at both ends of the runway to create safety areas consistent with the Airport's B-II designation by effectively shortening the usable runway; however this would leave the usable runway too short for C&D aircraft.

December 5, 2000 - The City Council approves guidelines for leasing nonaviation property at the Airport for use as artists' studios partly to mitigate the displacement of artists from the community due to rising property values. In the ensuing years, many artists move to the Airport.

July 22, 2002 - The safety recommendations of the Santa Monica Airport Design Standards Study are presented to the Airport Commission.

October 2002 - The FAA initiates a Part 16 complaint against the City challenging "the legality of the Santa Monica Airport Commission's apparent decision to recommend that the Santa Monica City Council adopt and implement the Airport Conformance Program."

December, 2002 - In response to increasing complaints from neighbors about jet emissions and their impact on air quality and health, the City requests that the Southern California Air Quality Management District (SCAQMD) study air quality issues related to SMO. Studies are eventually undertaken, after SCAQMD receives a federal grant. The study concluded that there were no exceedances of federal air quality standards at the Santa Monica Airport.

December 10, 2002 - The City Council unanimously approves the Conformance Program's concept and directs staff to continue to seek a voluntary agreement with the FAA.

April 29, 2007 - The 7 ½ acre Airport Park is dedicated. It includes soccer fields, a dog park, and new landscaping and hardscape around the park.

November 27, 2007 - After more than five years of unsuccessful negotiations with the FAA about the Conformance Program, the City Council approves on first reading an ordinance that would promote safety and protect adjacent neighborhoods from overruns by conforming the Airport by prohibiting the generally larger, faster Category C&D aircraft from using the Airport.

March 25, 2008 - After further negotiations and Congressional intervention, both fail to yield a resolution, and the City Council adopts the ordinance on second reading.

April, 2008 - The FAA issues a Cease and Desist Order and later obtains a temporary restraining order and a preliminary injunction from the United States District Court prohibiting the City from enforcing the Ordinance. The City appeals the decision to the Ninth Circuit Court of Appeals, where the FAA eventually prevails.

May 27, 2008 - The FAA issues an administrative determination that the Ordinance is inconsistent with Petitioner's contractual obligations under the grant agreements, and the City requests an evidentiary hearing before the Agency.

March 16, 2009 - The FAA conducts a four-day Part 16 Hearing on the validity of the City's Ordinance banning Category C&D aircraft and later issues a decision holding that the Ordinance unreasonably and unjustly discriminates between aircraft and thereby violates the grant assurances, the Instrument of Transfer and the 1984 Agreement. This holding is based

on the conclusions that the Ordinance is not reasonably justified on grounds of safety, alternative safety measures are available to the City, the Ordinance unnecessarily limits the Airport's usefulness, and the City over-estimates its legal risks because the City could show in court that C&D usage does not create a dangerous condition.

March 21, 2009 - The DC-3 *Spirit of Santa Monica* Monument is dedicated at the Airport, celebrating the Airport's rich aviation history and the role aviation played in the growth of the City.

May 12, 2009 - The City Council adopts a plan for enhancing the Airport's environmental sustainability through a list of measures that includes, among other things, working to enhance air quality, reduce noise, minimize the use of hazardous material, maximize recycling and the use of renewable energy.

July 8, 2009 - The FAA Associate Administrator issues a final Agency decision against the City. It holds, among other things, that Federal law preempts the Ordinance and that the Ordinance violates the grant assurance prohibiting unjust discrimination.

September 3, 2009 - The City files an appeal of the final FAA decision in the Federal Appellate Court in Washington, D.C. That Court ultimately rejects the City's arguments and issues a narrow ruling in the FAA's favor, based largely on the well-established principle that courts defer to agency interpretations of their own regulations. Because the D.C. Circuit concludes that the City Ordinance violates the Federal regulation prohibiting unjust discrimination, the Court finds it unnecessary to reach the issue of whether the City's action is also preempted by Federal law. The City assesses the decision and concludes that the narrow decision affords no recognized basis for Supreme Court review and that, if review were nonetheless granted, it might open the door to consideration of other issues raised in the case that were either decided in the City's favor or not decided at all, such as the preemption issue.

November 17, 2009 - A UCLA faculty member in the School of Public Health releases a study of ultra-fine particulate pollution released from jet aircraft at SMO.

Late 2009 - The FAA begins testing a new departure heading of 250 degrees for piston-powered, instrument departures. This routes planes over portions of Ocean Park and results in protests from residents. Scrutiny of departures spawns increasing concerns about pattern flying, in which aircraft repeatedly land and take off, circling over residential neighborhoods.

### 2010 and Beyond - Planning for the Future

December 1, 2010 - The City Council directs staff to proceed with a comprehensive public process regarding the Airport's future and authorizes hiring consultants to assist. Total Airport operations for the year are down to 104,000, less than one third of their all-time high in the late 1960's.

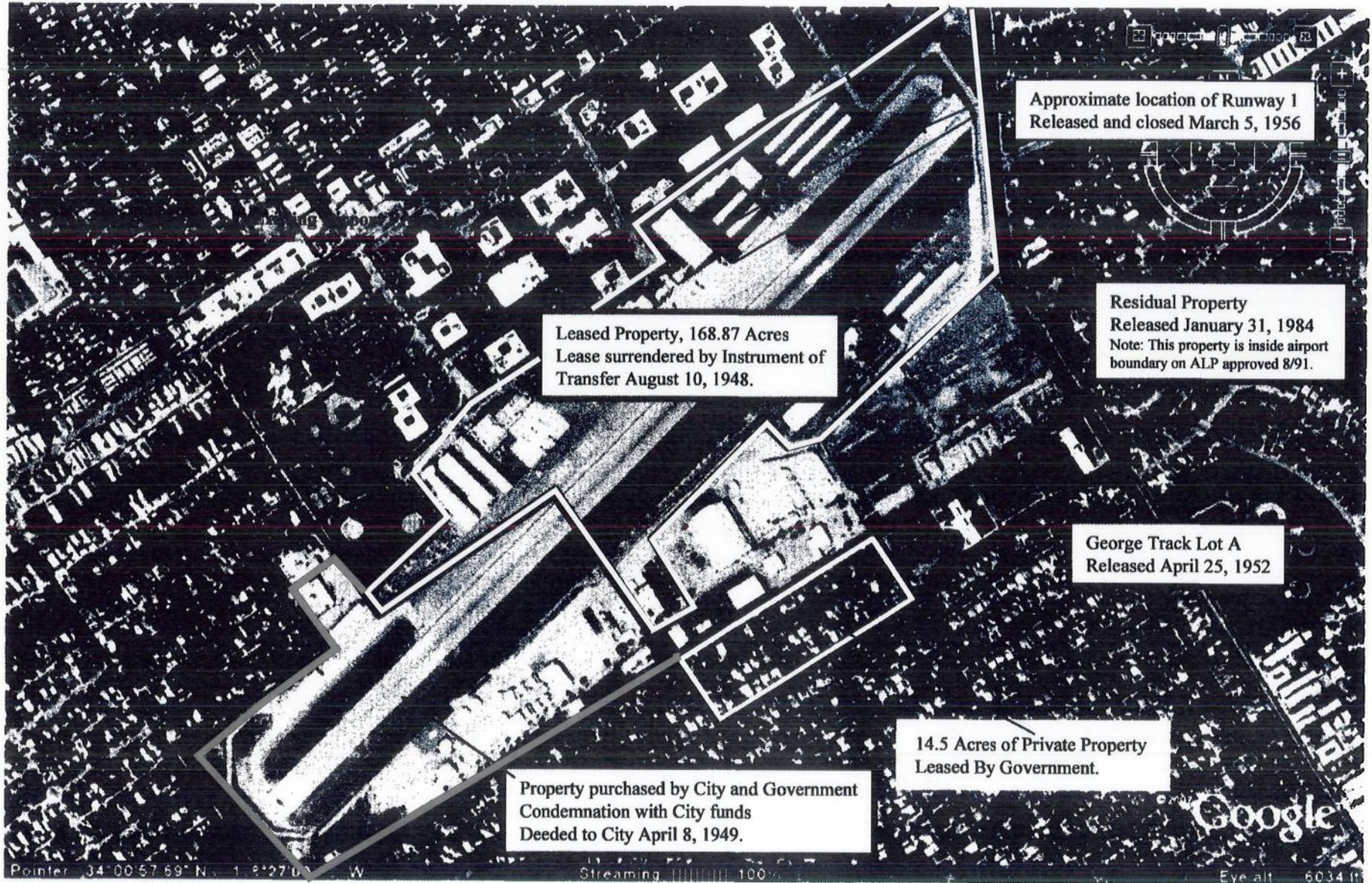
February 22, 2011 - The City Council authorizes the City Manager to commence Phase I of a three-phased process for developing possible alternatives of future roles for Santa Monica Airport within the community post 2015, with the phases consisting of initial research and surveying, extensive public workshops, and Council hearings and deliberations.

September, 2011 - Residents' general complaints about the Airport and specific complaints about pattern flying connected to flight schools increase significantly after a plane piloted by a student pilot crashes into a home in Sunset Park. The City Manager releases an Information Item listing actions staff is taking to address residents' concerns.

Prepared by: Bob Trimborn  
Rod Merl  
Marsha Jones Moutrie

9/26/11

# Major Instruments and Agreements on Santa Monica Airport Land



# SMO AND SURROUNDING NEIGHBORHOODS



**Santa Monica Airport Appellate Court Decisions (1969-2011)**

Stagg v. City, 2 Cal.App.3d 318 (1969)[Pilot who took off in a jet in violation of curfew seeks to prohibit misdemeanor prosecution; Court of Appeal holds, among other things, that the jet curfew ordinance was not invalid as preempted by state law and was a valid exercise of the City's police power].

Nestle v. City, 6 Cal.3d 920 (1972) [Homeowners residing adjacent to Airport sue for money damages claiming that Airport operations damaged their property through inverse condemnation. Court holds that evidence on noise supports judgment for City and that plaintiffs' nuisance claim is not precluded by statutory immunities.]

Santa Monica Airport Assoc. v. City, 659 F.2d 100 (1981)[Coalition of Airport users challenges City ordinances imposing: night curfew; ban on touch-and-go, stop-and-go and low approach operations; helicopter training; noise limit; and jet ban. In the trial court, jet ban is invalidated based on the equal protection and commerce clauses, and the other ordinances are upheld. On appeal, the Ninth Circuit affirms, discussing the airport proprietor's exception to federal preemption.]

California Aviation v. City, 806 F.2d 905 (1986)[Airport lessee initially claims that City ordinances and lease terms unlawfully damaged his business; federal appellate court eventually concludes (on sole remaining federal claim) that City is exempt from antitrust liability with respect to lease.]

Santa Monica Airport Association v. City, Not Officially Published, 2005 WL 2031181 (Cal.App.2 Dist.)[Airport Association seeks, among other things, to enforce 1984 Agreement, City claims Association lacks standing to enforce agreement and ultimately prevails on all but 11<sup>th</sup> Cause of Action; both parties appeal. Appellate court discusses the history and context of the 1984 Agreement and concludes that the Association lacks standing to enforce it.]

United States v. City, Not Officially Published, 2009 WL 1295333(9<sup>th</sup> Cir.) [Upholding District Court's preliminary injunction halting implementation of C & D aircraft ban pending outcome of FAA's administrative proceedings.]

City v. FAA, 631 F.3d 550 (D.C. Cir. 2011)[Upholding FAA's administrative decision that C & D aircraft ban violated federal government conditions prohibiting unjust discrimination.]

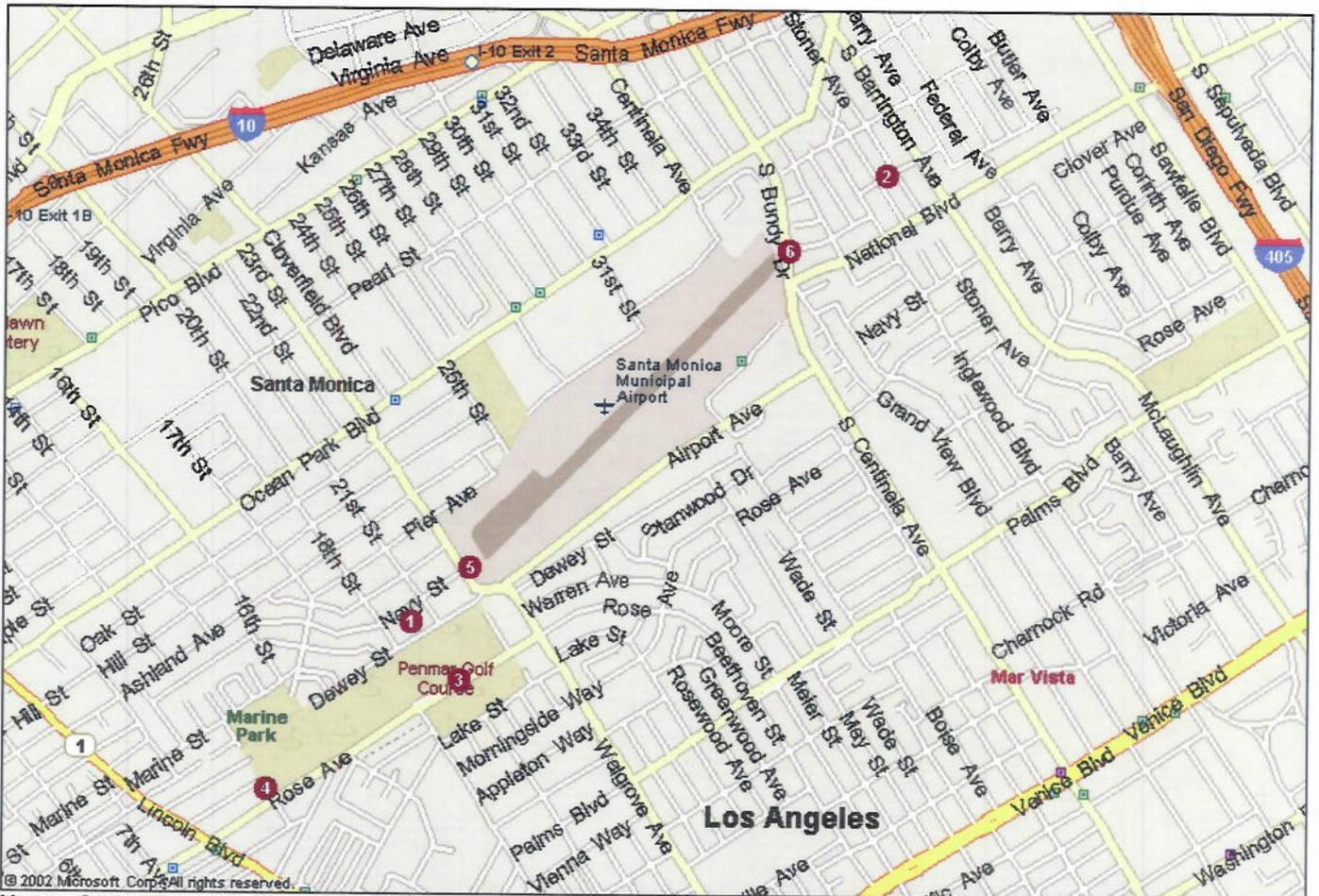
## Comparative Matrix of Noise Management Programs at Other Airports Airport Analysis Index

ATTACHMENT F

1	A	B	C	D	G				K				M	N
	AIRPORT	STATE	TOTAL OPERATIONS 2011	LOCAL OPERATIONS	MANDATORY RESTRICTIONS				VOLUNTARY OPERATIONAL RESTRICTIONS				FLIGHT SCHOOLS	
					MAXIMUM NOISE LIMITS	CURFEW	MAINTENANCE RUNUP RESTRICTIONS	OTHER OPERATIONAL RESTRICTIONS	MAXIMUM NOISE LIMITS	CURFEW	MAINTENANCE RUNUP RESTRICTIONS	OTHER OPERATIONAL RESTRICTIONS	Number of Flight Schools	Number of Flight School Aircraft
2														
3	<a href="#">Santa Monica Airport</a>	CA	110,694	40,930	X	X	X	X		X	X	X	6	32
4	<a href="#">Deer Valley Airport, Phoenix</a>	AZ	317,443	189,435						X		X	2	85
5	<a href="#">Phoenix Mesa Gateway Airport, Mesa</a>	AZ	171,200	92,835						X		X	4	58
6	<a href="#">Bob Hope Airport, Burbank</a>	CA	123,092	19,475	X	X	X	X			X	X	0	0
7	<a href="#">Buchanan Airport, Concord</a>	CA	78,166	37,249	X	X	X	X				X	2	14
8	<a href="#">Camarillo Airport</a>	CA	133,403	61,693						X		X	3	18
9	<a href="#">Charles M. Schulz, Santa Rosa</a>	CA	79,562	24,613	X							X	3	12
10	<a href="#">Gillespie field, El Cajon</a>	CA	219,621	131,622						X		X	7	42
11	<a href="#">Hayward Executive, Hayward</a>	CA	89,787	44,829	X			X				X	6	27-40
12	<a href="#">John Wayne Airport, Santa Ana</a>	CA	261,812	71,673	X	X	X					X	3	40
13	<a href="#">Lake Tahoe Airport, South Lake Tahoe</a>	CA	Unavailable	Unavailable	X	X	X					X	2	5
14	<a href="#">Long Beach Airport</a>	CA	295,902	146,647	X	X	X	X				X	9	77
15	<a href="#">McClellan-Palomar Airport, Carlsbad</a>	CA	143,670	44,518						X	X	X	4	39
16	<a href="#">Modesto County Airport, Modesto</a>	CA	44,608	11,412						X	X	X	1	3
17	<a href="#">Monterey Peninsula Airport, Monterey</a>	CA	54,404	10,664						X	X	X	1	10
18	<a href="#">Montgomery Field, San Diego</a>	CA	199,141	89,771	X			X		X		X	6	90
19	<a href="#">Palo Alto Airport, Palo Alto</a>	CA	172,814	99,059								X	5	75
20	<a href="#">Reid HillView Airport, San Jose</a>	CA	128,097	80,913								X	4	40-50
21	<a href="#">Sacramento Executive Airport</a>	CA	91,840	23,598	X			X				X	4	28
22	<a href="#">Sacramento Mather Airport</a>	CA	73,121	17,865								X	0	0
23	<a href="#">Torrance Airport</a>	CA	129,029	65,019	X	X	X	X				X	7	23
24	<a href="#">Van Nuys Airport</a>	CA	298,049	95,076	X	X	X	X				X	8	56
25	<a href="#">Aspen/Pitkin County Airport</a>	CO	37,615	3,516		X						X	1	1
26	<a href="#">Igor Sikorsky Memorial Airport, Bridgeport</a>	CT	64,633	31,743	X	X	X	X				X	2	11
27	<a href="#">Clearwater Air Park</a>	FL	Unavailable	Unavailable		X		X				X	1	3
28	<a href="#">Ft Lauderdale Executive Airport</a>	FL	150,197	23,670			X		X	X		X	4	29-33
29	<a href="#">Naples Municipal Airport</a>	FL	83,163	17,617			X	X		X		X	4	45
30	<a href="#">Opa Locka, Miami</a>	FL	100,553	33,077			X					X	2	33
31	<a href="#">Orlando Executive Airport</a>	FL	109,189	47,438			X			X		X	3	24
32	<a href="#">Vero Beach Municipal Airport</a>	FL	149,915	74,942								X	2	115
33	<a href="#">West Palm Beach International</a>	FL	143,194	1,526	X		X	X				X	0	0
34	<a href="#">Chicago Executive Airport, Prospect Heights</a>	IL	84,110	22,906				X				X	6	50
35	<a href="#">Laurence G Hanscom</a>	MA	162,997	60,393				X				X	2	20
36	<a href="#">Spirit of St Louis</a>	MO	102,654	37,540							X	X	2	11
37	<a href="#">Mercer County Airport, Trenton</a>	NJ	76,283	34,095						X		X	2	9
38	<a href="#">Morristown Municipal Airport</a>	NJ	103,806	33,656				X			X	X	3	33
39	<a href="#">Teterboro Airport</a>	NJ	161,043	-	X		X	X		X		X	0	0
40	<a href="#">Islip L. I. MacArthur Airport, Long Island</a>	NY	135,265	62,991		X	X					X	4	21
41	<a href="#">Republic Airport, Long Island</a>	NY	188,219	80,391						X	X	X	14	50
42	<a href="#">Westchester County, White Plains</a>	NY	194,732	24,041					X	X	X	X	3	19
43	<a href="#">Paine Field, Everett</a>	WA	113,070	52,097			X					X	4	45
44	<a href="#">Renton Airport</a>	WA	82,032	47,074								X	5	30
45	<a href="#">Jackson Hole Airport</a>	WY	25,776	1,961	X		X	X		X		X	1	1

Location of Remote Noise Monitoring Stations (RMS)

- RMS – 1 18<sup>th</sup> Street, Between Dewey Street & Navy Street, Santa Monica
- RMS – 2 Sardis Street and Granville Street, West Los Angeles
- RMS – 3 Penmar Golf Course, 1233 Rose Avenue, Venice
- RMS – 4 West end of Penmar Golf Course on Warren Avenue, Venice
- RMS – 5 23<sup>rd</sup> Street & Navy Street, Santa Monica
- RMS – 6 Bundy Ave & Clarkson Road/Ct, West Los Angeles

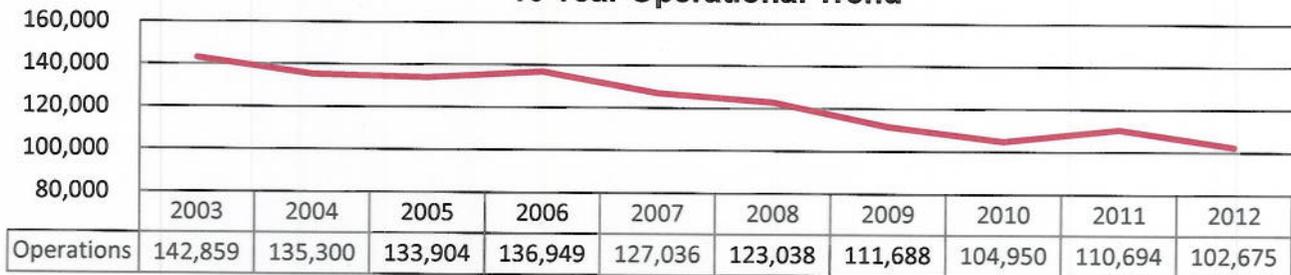


**Note: ONLY Remote Monitoring Stations 1 & 2 (located approximately 1,500 feet from each end of the runway) are used for the enforcement of the 95.0 dBA Single Event Noise Exposure Level (SENEL) maximum allowable noise level.**

## 2012 Aircraft Operations

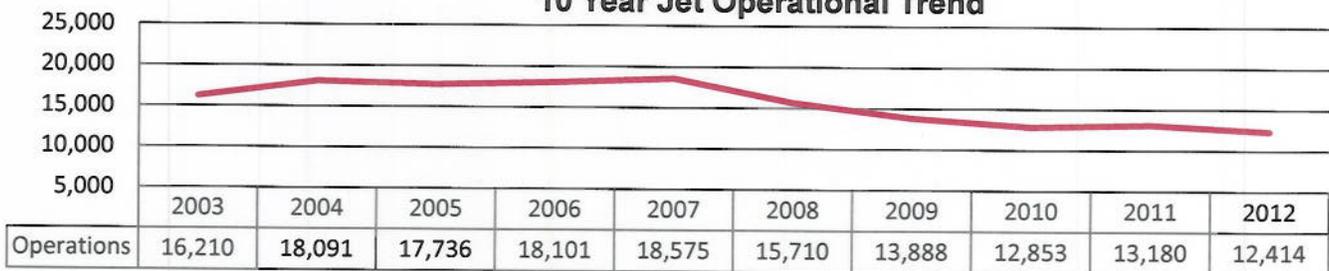
The total number of aircraft operations (*aircraft operation is defined as one takeoff or one landing*) recorded during 2012 was 102,675; which is a decrease of approximately 5% from the recorded 110,694 operations in 2011. This represents the lowest number of operations recorded since staff has been keeping records.

### 10 Year Operational Trend



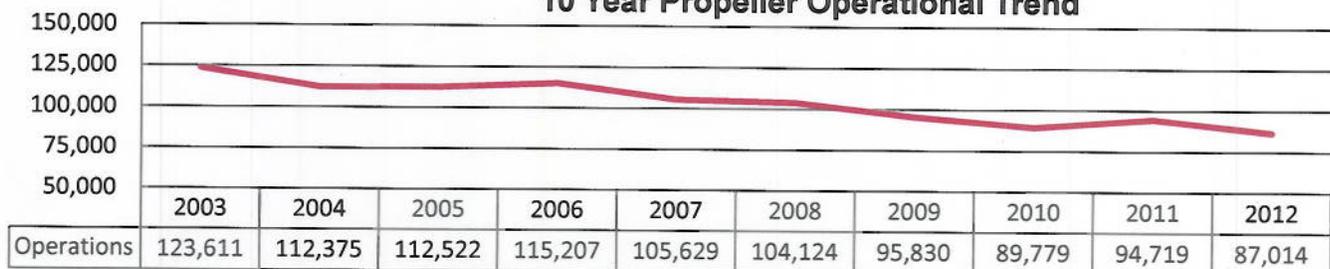
Approximately 12,414 of the total operations for 2012 were jet aircraft operations. In 2012, jets represented 12% of the total operations. In 2012, the number jet operations decreased by 6% compared to calendar year 2011. This was the lowest number of jet operations recorded since calendar year 1999.

### 10 Year Jet Operational Trend



Approximately 87,014 of the total operations for 2012 were propeller aircraft operations. In 2012, propeller aircraft represented 85% of the total operations. In 2012, the number propeller operations decreased by 8% compared to calendar year 2011. This was the lowest number of propeller aircraft operations since staff has been keeping records.

### 10 Year Propeller Operational Trend





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# City Council Report

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City Council Meeting: April 30, 2013

Agenda Item: 11-A

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:

<b><u>Fiscal Year</u></b>	<b><u>Change in Net Assets</u></b>
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

RESOLUTION NUMBER \_\_\_\_\_ (CCS)  
(City Council Series)

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF  
SANTA MONICA SETTING FEES FOR LANDING AT THE  
SANTA MONICA MUNICIPAL AIRPORT

WHEREAS, it is the general policy of the City of Santa Monica to charge for the full costs of services provided by the City when such services benefit individual users rather than members of the community as a whole; and

WHEREAS, Ordinance No. 1754 (CCS), adopted July 12, 1994, establishes this policy; and

WHEREAS, the City of Santa Monica owns and operates the Santa Monica Municipal Airport ("Airport") and does so to the particular benefit of Airport users; and

WHEREAS, the Airport's operating and capital costs are consistent with its status as a high-traffic, general aviation airport; and

WHEREAS, Airport operating and maintenance costs currently exceed Airport revenues and so are subsidized by the City's General Fund; and

WHEREAS, the increased demands on the General Fund, exacerbated by the recent dissolution of the City's redevelopment agency, require that all City enterprises, including the Airport fund, become financially self-supporting; and

WHEREAS, the City is obligated under federal law to maintain an Airport user fee structure that makes the Airport as financially self-sustaining as possible; and

WHEREAS, at the direction of the City Council, the existing landing fee program has been reviewed; and

WHEREAS, it has been determined that the current fee, with its exemption for aircraft based at the Airport, does not provide for adequate cost recovery to allow the Airport to operate financially without additional subsidies from the City's General Fund; and

WHEREAS, aircraft based at the Airport account for a significant portion of the operations at the Airport; and

WHEREAS, in order to develop a landing fee that is fair and reasonable to all Airport users and allows the Airport to recover its operating and capital costs for existing public-use airfield facilities and services, a comprehensive landing fee study was conducted in accordance with the methodology stated in the Rates and Charges Policy promulgated by the Office of the Secretary of Transportation and by the Federal Aviation Administration ("FAA"); and

WHEREAS, the landing fee study concluded that in order for the Airport to generate sufficient revenue to recover its costs and ensure that costs are borne by all users, and for it to achieve financial self-sustainability apart from the City's General Fund, the current fee needs to be increased and applied equally to all Airport users, whether they utilize itinerant or based aircraft; and

WHEREAS, staff conducted extensive research into the landing fee programs and the rates charged to general aviation aircraft at 58 other airports located throughout the United States and identified at least seven airports that charge a fee to both itinerant and based aircraft; and

WHEREAS, the methodology and data supporting the landing fee study and staff's research on other airports' landing fee programs have been shared and discussed with the general public, regional representatives of the FAA, Airport users, and other members of the aviation community; and

WHEREAS, Section 10.04.06.100 of the Santa Monica Municipal Code provides that the City Council shall establish and may amend from time to time landing fees for Santa Monica Municipal Airport and that the City Council may set Airport landing fees by resolution or by any other means authorized by law.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF SANTA MONICA DOES RESOLVE AS FOLLOWS:

SECTION 1. Resolution No. 10047 (CCS) is hereby repealed in its entirety.

SECTION 2. The landing fee for all aircraft landing at the Santa Monica Municipal Airport, including all of those aircraft which are based at the Airport, is hereby established at the rate of \$5.48 per 1,000 pounds of the maximum certificated gross landing weight of the aircraft as published by the aircraft manufacturer.

SECTION 3. The landing fee provided for by this Resolution shall become effective as of August 1, 2013.

SECTION 4. Pursuant to Santa Monica Municipal Code §10.04.02.030(d), the Airport Director is authorized to adopt such regulations as may be necessary to carry out the purposes of this Resolution.

SECTION 5. The City Clerk shall certify to the adoption of this Resolution, and thenceforth and thereafter the same shall be in full force and effect.

APPROVED AS TO FORM

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Marsha Jones Moutrie  
City Attorney

## **Financial Projections--Proposed Landing Fee Calculation**

*Santa Monica Municipal Airport  
City of Santa Monica*

April 17, 2013

**This financial model calculates a proposed landing fee rate based on a projection of historic costs, revenues, and the landed weight forecast.**

### **Principles Used by the City to Calculate the Proposed Landing Fee Rate**

The rate was calculated based on the following principles:

- Historic costs allocable to the airfield area as defined in section 18.4.a in the FAA's Chapter 18 Airport Rates and Charges. Defined as runways and taxiways, public aircraft parking ramps and aprons, and associated aeronautical land, such as land used for navigational aids.
- Cost recovery principles
- A basis for establishing and charging the rate—landed weight—that is fair and equitable across all users, including itinerant and based aircraft.

### **Costs that are Recovered through Proposed Landing Fee Rate**

Costs recovered through the landing fee rate include the following:

- Operating expenses of the Airport, including expenses for City-provided services such as insurance, risk management, accounting support, etc.
- Capital expenditures that are allocable to the airfield area. Costs are recovered (amortized) from users over the useful life of the asset at an interest rate provided by the City for the year when the project was placed in service for its intended use, and included in the landing fee rate base.

### **Calculation of the Proposed Landing Fee Rate**

The elements of the landing fee exhibit:

- Total operating expenses and amortization charges allocable to the airfield
- Specific credits are applied against airfield costs, which are airport fuel sales and noise abatement revenues

The resulting “net costs” are divided by landed weight of aircraft using the SMO airfield to derive the proposed landing fee rate.

### **List of Exhibits**

E1	Operating Expenses
E1A	Operating Expenses Detail
E2	Capital Project Amortization Charges (Completed Airfield Projects since 2002)
E3	Summary of Landed Weight

**LANDING FEE CALCULATION**  
**Financial Projections--Proposed Landing Fee Calculation**  
**Santa Monica Municipal Airport**  
**(For Fiscal Years Ending June 30)**

	Exhibit Reference	Actual			Forecast		
		FY 2010-2011	FY 2011-2012	Budget FY 2012-2013	FY 2013-2014	FY 2014-2015	FY 2015-2016
<b>AIRFIELD COSTS</b>							
Operating expenses (a)	Exhibit 1	\$ 1,297,167	\$ 1,278,361	\$ 1,504,733	\$ 1,505,386	\$ 1,544,726	\$ 1,583,818
Amortization of City funded assets	Exhibit 2	178,862	335,192	340,575	442,081	468,671	502,740
<b>TOTAL AIRFIELD COSTS</b>	[A]	<b>\$ 1,476,029</b>	<b>\$ 1,613,553</b>	<b>\$ 1,845,308</b>	<b>\$ 1,947,467</b>	<b>\$ 2,013,397</b>	<b>\$ 2,086,558</b>
<b>AIRFIELD CREDITS</b>							
Airport Fuel Sales		\$ (206,437)	\$ (186,404)	\$ (199,200)	\$ (203,184)	\$ (208,264)	\$ (213,470)
Noise Abatement - Airport		(8,000)	(33,075)	(23,214)	(23,678)	(24,270)	(24,877)
<b>TOTAL AIRFIELD CREDITS</b>	[B]	<b>\$ (214,437)</b>	<b>\$ (219,479)</b>	<b>\$ (222,414)</b>	<b>\$ (226,862)</b>	<b>\$ (232,534)</b>	<b>\$ (238,347)</b>
<b>NET AIRFIELD COSTS</b>	[C=A+B]	<b>\$ 1,261,592</b>	<b>\$ 1,394,074</b>	<b>\$ 1,622,894</b>	<b>\$ 1,720,605</b>	<b>\$ 1,780,863</b>	<b>\$ 1,848,211</b>
Airport abatement of Airfield Costs	[D]	\$ (930,265)	\$ (1,092,119)	\$ (1,322,894)	-	-	-
<b>ADJUSTED NET AIRFIELD COSTS</b>	[E=C+D]	<b>\$ 331,327</b>	<b>\$ 301,955</b>	<b>\$ 300,000</b>	<b>\$ 1,720,605</b>	<b>\$ 1,780,863</b>	<b>\$ 1,848,211</b>
<b>LANDED WEIGHT (1,000-lb. units)</b>							
Based aircraft	Exhibit 3				119,026	119,026	119,026
Itinerant	Exhibit 3				195,010	195,010	195,010
<b>TOTAL LANDED WEIGHT (1,000-lb. units)</b>	[F]				<b>314,036</b>	<b>314,036</b>	<b>314,036</b>
<b>LANDING FEE (1,000-LB. UNIT) (b)</b>	[G=-E/F]	<b>\$ 2.07</b>	<b>\$ 2.07</b>	<b>\$ 2.07</b>	<b>\$ 5.48</b>	<b>\$ 5.67</b>	<b>\$ 5.89</b>
<b>LANDING FEE REVENUES (c)</b>	[H=F*G]	<b>\$ 331,327</b>	<b>\$ 301,955</b>	<b>\$ 300,000</b>	<b>\$ 1,720,605</b>	<b>\$ 1,780,863</b>	<b>\$ 1,848,211</b>

Source: City of Santa Monica  
Prepared by: City of Santa Monica and WJ Advisors LLC

- NOTES:
- (a) Expenditures limited to components of airfield and for aeronautical use as identified by the Federal Aviation Administration's Policy Regarding the Establishment of Airport Rates and Charges.
  - (b) It is assumed that for the forecast period, a landing fee rate that is based on full cost recovery is charged to all aircraft (based & itinerant).
  - (c) Landing fee revenues historically and for the FY 2012-2013 Budget are based on charging a landing fee to itinerant aircraft only.  
It is assumed that all aircraft are charged a landing fee for the forecast period, including based & itinerant aircraft.

**Financial Projections--Proposed Landing Fee Calculation  
Exhibits**

*Santa Monica Municipal Airport  
City of Santa Monica*

April 17, 2013

**Exhibit 1**  
**OPERATING EXPENSES**  
**Financial Projections--Proposed Landing Fee Calculation**  
**Santa Monica Municipal Airport**  
**(For Fiscal Years Ending June 30)**

			Actual	Actual	Budget	Forecast		
			FY 2010-2011	FY 2011-2012	FY 2012-2013	FY 2013-2014	FY 2014-2015	FY 2015-2016
<b>OPERATING EXPENSES</b>								
Salaries & wages	(a)		\$ 1,373,493	\$ 1,304,704	\$ 1,382,652	\$ 1,410,305	\$ 1,445,582	\$ 1,481,741
Indirect cost allocation	(b)		868,449	894,503	939,228	630,226	645,982	662,131
Security	(c)		535,708	482,970	585,128	596,831	611,751	627,045
Maintenance	(d)		290,797	286,532	441,293	450,119	461,372	472,906
Utilities	(e)		199,126	201,334	312,289	320,550	329,721	339,657
Supplies & equipment	(f)		89,952	120,346	140,210	143,014	146,590	150,254
Insurance	(g)		91,800	122,227	137,872	137,452	148,262	154,340
Other	(f)		390,428	489,873	552,903	563,961	578,060	592,512
<b>TOTAL OPERATING EXPENSES</b>			<b>\$ 3,839,753</b>	<b>\$ 3,902,489</b>	<b>\$ 4,491,575</b>	<b>\$ 4,252,457</b>	<b>\$ 4,367,319</b>	<b>\$ 4,480,586</b>
Annual growth rate (a)				1.6%	15.1%	-5.3%	2.7%	2.6%
<b>OPERATING EXPENSES BY COST CENTER</b>								
Airfield			\$1,297,167	\$1,278,361	\$1,504,733	\$1,505,386	\$1,544,726	\$1,583,818
Non-airfield			2,542,586	2,624,128	2,986,842	2,747,071	2,822,593	2,896,767
<b>TOTAL OPERATING EXPENSES</b>			<b>\$ 3,839,753</b>	<b>\$ 3,902,489</b>	<b>\$ 4,491,575</b>	<b>\$ 4,252,457</b>	<b>\$ 4,367,319</b>	<b>\$ 4,480,586</b>

Source: City of Santa Monica  
Prepared by: City of Santa Monica and WJ Advisors LLC

- NOTES:
- (a) Salaries & wages were lower in FY 2011-2012 by 5.0 percent primarily due to savings from a partial position vacancy.  
The FY 2012-2013 Budget estimate and the forecast is based on the assumption that there is a return to full and level staffing.  
The FY 2012-2013 Budgeted expenses are estimated to be only .7 percent higher than in FY 2010-2011.
  - (b) The FY 2012-2013 Budget estimate for the indirect allocation is 5.0 percent higher than FY 2011-2012 primarily due to additional staff for Airport visioning processes.  
The FY 2013-2014 estimate is 32.9 percent lower due to revised assumptions and cost analyses to be incorporated beginning that fiscal period.
  - (c) In FY 2011-2012, security expenses were 9.8 percent lower than in FY 2010-2011 due to savings from vacancies in security positions.  
The FY 2012-2013 Budget estimate is 21.2 percent higher than in FY 2011-2012 (or 9.2 percent higher than FY 2010-2011) primarily due to the Police Department's request to increase airport security.
  - (d) The estimate for Budget FY 2012-2013 for maintenance is 54.0 percent higher than in FY 2011-2012 due to deferral of major maintenance items.  
While efforts continue to minimize maintenance expenses, the budget must account for maintenance costs.
  - (e) The estimate for Budget FY 2012-2013 for utilities is 55.1 percent higher than in FY 2011-2012. This is a result of incorporating tenant reimbursements into the actual amounts shown.  
Utility light/power increases applied to the budget and forecast period do not include reimbursements from tenants. These will now be recorded as revenue.
  - (f) Supplies & equipment and "other" expenses increased in FY 2011-2012 by 33.8 percent and 25.5 percent over FY 2010-2011, respectively.  
In the FY 2012-2013 Budget, these expenses are projected to increase at approximately 1/2 of the growth rates that occurred in FY 2011-2012.  
These increases are reflective of professional services and are not projected to occur during the forecast period.
  - (g) Insurance expenses increased in FY 2011-2012 by 33.1 percent over FY 2010-2011. The increases were due to a revised allocation of property insurance to more accurately reflect actual costs.  
In the FY 2012-2013 Budget, these expenses are projected to increase by approximately 12.8 over FY 2011-2012. This was primarily due to the General Liability insurance being overstated and a budget adjustment was made at midyear. The forecast period assumes steady growth at the rate provided by the City's Risk Management Division.  
This rate is based on broker estimates and evaluations insurance markets.

Exhibit 1A

Line-item designation		Actual	Actual	Budget	Forecast			Cost Center Allocation		
		FY 2010-2011	FY 2011-2012	FY 2012-2013	FY 2013-2014	FY 2014-2015	FY 2015-2016	Airfield	Non-airfield	
<b>OPERATING EXPENSES</b>										
<b>Salaries &amp; wages</b>										
33203 (Airport - City Manager)	Salaries & wages	\$ 960,866							43.6%	56.4%
33431 (Airport - Public Works)	Salaries & wages		895,330	998,655	1,018,628	1,044,094	1,070,196		43.6%	56.4%
33457 (Airport Maintenance - Public Wo	Salaries & wages	353,063	353,958	387,717	395,471	405,358	415,492		20.0%	80.0%
<b>Total Salaries &amp; Wages</b>		<b>\$ 1,313,929</b>	<b>\$ 1,249,288</b>	<b>\$ 1,386,372</b>	<b>\$ 1,414,099</b>	<b>\$ 1,449,452</b>	<b>\$ 1,485,688</b>			
<b>Supplies &amp; expense</b>										
Util - Light/Power (a)	Utilities	\$ 44,153	\$ 36,924	\$ 99,819	\$ 105,509	\$ 111,523	\$ 117,879	10.0%	90.0%	
Util - Natural Gas	Utilities	10,789	9,581	11,433	11,433	11,433	11,776	0.0%	100.0%	
Util - Water	Utilities	42,365	59,146	102,647	104,700	107,317	110,000	10.0%	90.0%	
Stormwater Mgmt	Utilities	75,773	76,790	77,317	77,317	77,317	77,317	25.0%	75.0%	
Transfer Station fee	Utilities	1,590	3,339	1,748	1,783	1,828	1,873	0.0%	100.0%	
Bank Fees	Other	986	685	625	638	653	670	0.0%	100.0%	
Util - Telephone	Utilities	24,456	15,554	19,325	19,808	20,303	20,811	43.6%	56.4%	
Office Supplies / Expenses	Supplies & equipment	13,462	12,844	13,000	13,260	13,592	13,931	43.6%	56.4%	
Metered Postage	Supplies & equipment	3,360	3,698	5,400	5,508	5,646	5,787	5.0%	95.0%	
Inventory Issues	Supplies & equipment	933	1,437	5,000	5,100	5,228	5,358	50.0%	50.0%	
Community Outreach	Other	11,866	5,390	13,000	13,260	13,592	13,931	90.0%	10.0%	
Equipment Rental	Supplies & equipment	7,338	8,446	12,760	13,015	13,341	13,674	50.0%	50.0%	
Mileage	Other	-	-	550	561	575	589	0.0%	100.0%	
Conference / Mtgs/Travel	Other	10,003	9,733	5,500	5,610	5,750	5,894	50.0%	50.0%	
Food purchases	Other	1,519	1,655	1,500	1,530	1,568	1,607	50.0%	50.0%	
Membership Dues	Other	1,090	2,599	2,750	2,805	2,875	2,947	65.0%	35.0%	
Vehicles - Fuel	Supplies & equipment	1,948	1,357	2,500	2,550	2,614	2,679	0.0%	100.0%	
Vehicles - Tires/Tubes	Supplies & equipment	-	-	600	612	627	643	50.0%	50.0%	
Vehicles - Insurance	Insurance	9,500	-	-	-	-	-	50.0%	50.0%	
CNG Fuel	Supplies & equipment	2,772	975	3,950	4,029	4,130	4,233	10.0%	90.0%	
Veh Mgmt Fund - Maint	Maintenance	27,292	26,656	48,734	49,709	50,951	52,225	5.0%	95.0%	
General Liability / Auto	Insurance	82,300	172	9,696	130	130	130	50.0%	50.0%	
Property Insurance (b)	Insurance	-	74,273	77,987	87,552	96,927	101,773	25.0%	75.0%	
Special Insurance	Insurance	-	45,575	47,854	47,826	49,261	50,493	25.0%	75.0%	
Airport Security Guard trans	Security	535,708	482,970	585,128	596,831	611,751	627,045	60.0%	40.0%	
Special Equip Maint	Maintenance	3,384	2,629	-	-	-	-	0.0%	100.0%	
Audio Equip Maint	Maintenance	461	-	17,700	18,054	18,505	18,968	100.0%	0.0%	
Bldg/Structure Maint	Maintenance	-	-	4,000	4,080	4,182	4,287	0.0%	100.0%	
Special Department Supplies	Supplies & equipment	2,300	475	6,300	6,426	6,587	6,751	0.0%	100.0%	
Indirect Cost Allocation	Indirect cost allocation	799,455	823,439	864,611	435,173	446,052	457,204	11.0%	89.0%	
Other Costs	Other	19,752	18,941	39,000	39,780	40,775	41,794	0.0%	100.0%	
Professional Services	Other	331,817	441,817	460,000	469,200	480,930	492,953	36.5%	63.5%	
Reimburse Engineering Office	Other	2,963	106	3,353	3,420	3,506	3,593	25.0%	75.0%	
Airport Field Maintenance	Maintenance	340	483	3,600	3,672	3,764	3,858	43.6%	56.4%	
Property Taxes	Other	8,918	8,827	26,625	27,158	27,836	28,532	25.0%	75.0%	
Bldg Renovation /Maintenance	Maintenance	-	956	60,000	61,200	62,730	64,298	10.0%	90.0%	
Misc Equipment	Supplies & equipment	34,865	59,974	70,000	71,400	73,185	75,015	90.0%	10.0%	
Office Supplies/Expenses	Supplies & equipment	1,207	1,634	700	714	732	750	50.0%	50.0%	
Inventory Issues	Supplies & equipment	16,375	26,004	17,400	17,748	18,192	18,646	50.0%	50.0%	
Conferences /meetings/ travel	Other	-	120	-	-	-	-	50.0%	50.0%	
Food purchases	Other	22	-	-	-	-	-	50.0%	50.0%	
Vehicles - Fuels	Supplies & equipment	-	208	-	-	-	-	0.0%	100.0%	
CNG Fuel	Supplies & equipment	1,166	1,482	-	-	-	-	10.0%	90.0%	
General Liability	Insurance	-	2,207	2,335	1,944	1,944	1,944	25.0%	75.0%	
Non-Aviation Maint	Maintenance	151,046	151,212	132,459	135,108	138,486	141,948	0.0%	100.0%	
Aviation Maint	Maintenance	76,841	72,906	139,400	142,188	145,743	149,386	95.0%	5.0%	
Landscape Maint	Maintenance	20,633	20,890	24,600	25,092	25,719	26,362	10.0%	90.0%	
Uniform / Protective Clothing	Supplies & equipment	4,226	1,812	2,600	2,652	2,718	2,786	20.0%	80.0%	
Indirect Cost Allocation	Indirect cost allocation	68,994	71,064	74,617	195,053	199,929	204,928	19.1%	80.9%	
Airport Field Maint	Maintenance	10,800	10,800	10,800	11,016	11,291	11,574	50.0%	50.0%	
Retirement - Misc Empl	Salaries & wages	59,564	55,416	-	-	-	-	43.6%	56.4%	
Interest Exp - Bonds and Other Loans	Other	1,492	-	-	-	-	-	0.0%	100.0%	
PERS paydown	Salaries & wages	-	-	(3,720)	(3,794)	(3,870)	(3,948)	43.6%	56.4%	
<b>Total supplies and expense</b>		<b>\$ 2,525,824</b>	<b>\$ 2,653,201</b>	<b>\$ 3,105,203</b>	<b>\$ 2,838,358</b>	<b>\$ 2,917,867</b>	<b>\$ 2,994,897</b>			
<b>TOTAL OPERATING EXPENSES</b>		<b>\$ 3,839,753</b>	<b>\$ 3,902,489</b>	<b>\$ 4,491,575</b>	<b>\$ 4,252,457</b>	<b>\$ 4,367,319</b>	<b>\$ 4,480,586</b>			
Airfield		1,297,167	1,278,361	1,504,733	1,505,386	1,544,726	1,583,818			
Non-airfield		2,542,586	2,624,128	2,986,842	2,747,071	2,822,593	2,896,767			
<b>TOTAL OPERATING EXPENSES</b>		<b>\$ 3,839,753</b>	<b>\$ 3,902,489</b>	<b>\$ 4,491,575</b>	<b>\$ 4,252,457</b>	<b>\$ 4,367,319</b>	<b>\$ 4,480,586</b>			

Source: City of Santa Monica

Prepared by: City of Santa Monica and WJ Advisors LLC

(a) The estimate for Budget FY 2012-2013 for utilities is 55.1 percent higher than in FY 2011-2012. This is a result of incorporating tenant reimbursements into the actual amounts shown.

Utility light/power increases applied to the budget and forecast period do not include reimbursements from tenants. These will now be recorded as revenue.

(b) Property insurance annual percent increases applied over the forecast period are based on revised assumptions provided by the City's Risk Management Division.

**Exhibit 2**  
**AMORTIZATION CHARGES--COMPLETED CAPITAL PROJECTS**  
**Financial Projections--Proposed Landing Fee Calculation**  
**Santa Monica Municipal Airport**  
**(For Fiscal Years Ending June 30)**

	<b>Actual</b>	<b>Actual</b>	<b>Budget</b>	<b>Forecast</b>		
	<b>FY 10-11</b>	<b>FY 2011-2012</b>	<b>FY 2012-2013</b>	<b>FY 2013-2014</b>	<b>FY 2014-2015</b>	<b>FY 2015-2016</b>
<b>AMORTIZATION CHARGES</b>						
Airfield	\$ 178,862	\$ 335,192	\$ 340,575	\$ 442,081	\$ 468,671	\$ 502,740
Non-airfield	387,915	410,552	443,261	460,191	476,378	463,942
<b>TOTAL AMORTIZATION CHARGES</b>	<b>\$ 566,777</b>	<b>\$ 745,744</b>	<b>\$ 783,836</b>	<b>\$ 902,273</b>	<b>\$ 945,049</b>	<b>\$ 966,683</b>

NOTE: Includes capital expenditures that are allocable to the airfield area. Costs are recovered (amortized) from users over the useful life of the asset at an interest rate provided by the City for the year when the project was placed in service for its intended use, and included in the landing fee rate base. Includes expenditures for completed airfield capital projects beginning in 2002.

Source: City of Santa Monica  
 Prepared by: City of Santa Monica and WJ Advisors LLC

**Exhibit 3**  
**SUMMARY OF LANDED WEIGHT**  
**Financial Projections--Proposed Landing Fee Calculation**  
**Santa Monica Municipal Airport**  
**(For Fiscal Years Ending June 30)**

	Actual (a)	Estimated	Forecast (c)		
	FY 2011-2012	Actuals (b) FY 2012-2013	FY 2013-2014	FY 2014-2015	FY 2015-2016
<b>LANDED WEIGHT FORECAST (1,000-lb-units)</b>					
Based aircraft	116,986	119,026	119,026	119,026	119,026
Itinerant	191,124	195,010	195,010	195,010	195,010
<b>TOTAL LANDED WEIGHT (1,000-lb. units)</b>	<b>308,110</b>	<b>314,036</b>	<b>314,036</b>	<b>314,036</b>	<b>314,036</b>
<b>Annual growth rate</b>					
Based aircraft			0.0%	0.0%	0.0%
Itinerant			0.0%	0.0%	0.0%
<b>Total annual growth rate</b>		1.9%	0.0%	0.0%	0.0%

Source: City of Santa Monica  
Prepared by: City of Santa Monica and WJ Advisors LLC

- NOTES:
- (a) Based on actual data provided by the City of Santa Monica.
  - (b) Based on actual data for July 1 through December 31, 2012 and forecasted data for January 1 through June 30, 2013 provided by the City of Santa Monica.
  - (c) Forecasted levels, provided by the City of Santa Monica, to remain flat.

**REVENUES**

**Financial Projections--Proposed Landing Fee Calculation  
Santa Monica Municipal Airport  
(For Fiscal Years Ending June 30)**

		Actual	Actual	Revised	Forecast (a)		
		FY 2010-2011	FY 2011-2012	Budget (a) FY 2012-2013	FY 2013-2014	FY 2014-2015	FY 2015-2016
<b>REVENUES</b>							
<b>Landing fee revenues</b>	(b)	\$ 331,327	\$ 301,955	\$ 300,000	\$ 1,720,605	\$ 1,780,863	\$ 1,848,211
Annual growth rate			-8.9%	-0.6%	473.5%	3.5%	3.8%
<b>Airfield revenues (excluding landing fee revenues)</b>							
Airport Fuel Sales		\$ 206,437	\$ 186,404	\$ 199,200	\$ 203,184	\$ 208,264	\$ 213,470
Noise Abatement - Airport	(c)	8,000	33,075	23,214	23,678	24,270	24,877
<b>Total Airfield revenues (excluding landing fee revenues)</b>	[A]	\$ 214,437	\$ 219,479	\$ 222,414	\$ 226,862	\$ 232,534	\$ 238,347
Annual growth rate			2.4%	1.3%	2.0%	2.5%	2.5%
<b>Non-airfield revenues</b>							
Airport - Hangar Rental Sales	(d)	633,996	687,305	748,177	763,141	782,219	801,775
Airport - Office / Shop Rental	(e)	538,358	616,224	642,030	654,871	671,242	688,023
Airport - Land Lease	(f)	1,878,612	1,952,985	1,920,022	1,958,422	2,007,383	2,057,568
Airport - Tie Down Charges		159,944	146,843	152,400	155,448	159,334	163,318
Airport - Misc Rev		3,026	7,602	5,336	5,442	5,578	5,718
Filming Receipts		15,450	11,650	8,177	8,340	8,549	8,762
Parking Receipts		91,349	93,599	65,694	67,008	68,683	70,400
Int Dep/investments		29,568	8,628	97,647	99,600	102,090	104,642
Unrealized Gain Loss		(8,858)	(6,374)	(72,138)	(73,580)	(75,420)	(77,305)
Accrued Investment Income		(4,870)	(4,187)	(47,386)	(48,334)	(49,542)	(50,781)
Amort/Accret		6,492	5,379	60,877	62,094	63,647	65,238
<b>Total Non-airfield revenues</b>	[B]	\$ 3,343,067	\$ 3,519,654	\$ 3,580,835	\$ 3,652,452	\$ 3,743,763	\$ 3,837,357
Annual growth rate			5.3%	1.7%	2.0%	2.5%	2.5%
<b>TOTAL REVENUES</b>	[C=A+B]	\$ 3,888,831	\$ 4,041,088	\$ 4,103,249	\$ 5,599,919	\$ 5,757,160	\$ 5,923,915
Annual growth rate			3.9%	1.5%	36.5%	2.8%	2.9%

Source: City of Santa Monica  
Prepared by: City of Santa Monica and WJ Advisors LLC

**NOTES:**

- (a) Certain budgeted and forecasted revenues are allocated based on percentages from FY 2011-2012 actual revenue amounts.
- (b) Landing fee revenues are estimated to increase substantially in FY 2013-2014 based on the assumption that the City begins charging a landing fee to based aircraft.
- (c) Airport noise abatement revenues increased in FY 2011-2012 primarily due to increases in fines.  
The FY 2012-2013 Budget estimate reflects the level at which is expected to be maintained over the forecast period.
- (d) Hangar sale revenues increased by 8.4 percent in FY 2011-2012 primarily due to six months of new hangar lease revenue and revenues are expected to increase by 8.9 percent in FY 2012-2013 to reflect the entire year of lease revenue for the new rental. The forecasted amount is expected to be maintained over the forecast period.
- (e) Office/shop rental revenues increased by 14.5 percent in FY 2011-2012 primarily due to increased rentals and are expected to increase at 4.2 percent in FY 2012-2013 due to additional anticipated occupancy.
- (f) Land lease revenues are budgeted to decline by 1.7 percent in the FY 2012-2013 Budget however revenues estimated to be received in FY 2012-2013 will likely not result in a decline and forecasted estimates reflect continued growth over the forecast period.