



City of Santa Barbara
Airport Department

DATE: July 16, 2014
TO: Airport Commission
FROM: Hazel Johns, Airport Director
SUBJECT: Atlantic Aviation Fuel Farm Amendment

RECOMMENDATION:

That Airport Commission recommend to the City Council of the City of Santa Barbara that the Airport Director be authorized to execute the proposed amendment to the Mercury Air Center – Santa Barbara, Inc., dba Atlantic Aviation, Fuel Storage Facility Lease (No. 19,528) dated April 15, 1999, amending Article V, “Rent” (B)(1) and (2) to allow for the collection of landing fees of \$.04 per gallon of fuel sold to Commercial Air Carriers.

DISCUSSION:

Background

Atlantic Aviation is a fixed base operator (FBO) that provides general aviation services, including aircraft storage, aircraft maintenance, flight instruction, and fuel and oil sales, as required under the lease and the Minimum Standard Requirements for Airport Aeronautical Services. April 15, 1999, Atlantic entered into an agreement for construction of a new above ground fuel storage facility on one-half acre of land south of Hollister Avenue at the northeast corner of the airfield. The facility, as constructed, has five tanks, with a holding capacity of 40,000 gallons of jet fuel, 12,000 gallons of aviation gas, 1,000 gallons of motor gas, and 1,000 gallons of diesel fuel.

The lease has a thirty year term which commenced at the issuance of the Certificate of Occupancy by the City on August 28, 2001. The lease contains a provision that requires the fuel farm lease to be coterminous with the FBO Master Lease. It cannot be assigned or transferred except to the holder of the Master Lease. The current Master Lease expires July 31, 2016.

Fuel Farm Rent

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

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

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

The fee rate changes are projected to result in increased revenue to the Airport of approximately \$175,000 for FY2015.

Implementation of New Fees

While no change to the agreement is required for the adjustment in Jet A and Av Gas fees, the agreement must be amended to allow for the imposition of fuel flowage fees on Commercial Carriers, which are currently excluded. The Commercial Carriers agreed to the establishment of the fees at the annual Rates & Charges meeting in January 2014.

Airport Commission Action

Therefore, staff is requesting that Airport Commission recommend to Council the amendment of Article V."Rent" Section B. "Fuel Flowage Fees" Paragraphs (1) "Calculation of Fuel Flowage Fees" and (2) "Exclusions from "GALLONS SOLD" to allow for the imposition of a \$.04 per gallon fuel flowage fee on Commercial Air Carriers, including but not limited to Certified CFR Part 121 and 135 carriers.

PREPARED BY: Business & Property Division