



**City of Santa Barbara**  
Airport Department

**DATE:** August 20, 2014  
**TO:** Airport Commission  
**FROM:** Hazel Johns, Airport Director *HJ*  
**SUBJECT:** Atlantic Aviation Fuel Farm Amendment

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**RECOMMENDATION:**

That Airport Commission recommend City Council approve and authorize the Airport Director to execute an 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 fuel flowage fees of \$.04 per gallon of fuel dispensed 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 1<sup>st</sup> at the discretion of the Airport Director.

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

Jet A = \$.08 per gallon sold

Av Gas = \$.05 per gallon sold

Commercial Air Carriers = \$.04 per gallon dispensed

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

### Changes in the Industry

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

### Implementation of New Fees

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