



City of Santa Barbara
Airport Department

DATE: August 20, 2014
TO: Airport Commission
FROM: Hazel Johns, Airport Director *HJ*
SUBJECT: Signature Flight Support Corporation Fuel Farm Amendment

RECOMMENDATION:

That Airport Commission recommend City Council approve and authorize the Airport Director to execute an amendment to the Signature Flight Support Corporation, Fuel Storage Facility Lease (No. 18,538) dated March 14, 1997, amending Article IV, "Rent" (B)(1) and (D) to allow for the collection of fuel flowage fees of \$.04 per gallon of fuel dispensed to Commercial Air Carriers.

DISCUSSION:

Background

Signature Flight Support 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. October 8, 1996, Signature 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 four storage tanks, with a holding capacity of 32,000 gallons of jet fuel and 12,000 gallons of aviation gas.

The lease has a thirty year term which commenced at the issuance of the Certificate of Occupancy by the City on March 14, 1997. 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.

For over thirty years the Santa Barbara Airport had an established fuel flowage fee of \$.05 per gallon payable to the Airport for each gallon sold. The fee rate changes are projected to result in increased revenue to the Airport of approximately \$175,000 for FY2015.

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

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

Signature's Fuel Storage Facility Agreement allows the Airport Director to adjust Fuel Flowage Fees annually on July 1st. 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.