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Title: Approve a consulting agreement with Unison Consulting, Inc., for preparation of a Passenger Facility Charges Application at Fresno Yosemite International Airport, in an amount not to exceed \$79,752. (Council District 4).

Sponsors: Airports Department

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Attachments: 1. PFC_Consultant Agrmt_Unison_04.21.16 Council.docx.pdf, 2. PFC_Consultant_Evaluation_Summary.pdf

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REPORT TO THE CITY COUNCIL

April 21, 2016

FROM: KEVIN R. MEIKLE, Director of Aviation
Airports Department

SUBJECT

Approve a consulting agreement with Unison Consulting, Inc., for preparation of a Passenger Facility Charges Application at Fresno Yosemite International Airport, in an amount not to exceed \$79,752. (Council District 4).

RECOMMENDATIONS

Staff recommends the execution of a consulting services agreement with Unison Consulting, Inc., to provide services related to preparation of a Passenger Facility Charges Application for submission to the Federal Aviation Administration in the amount of \$79,752.

EXECUTIVE SUMMARY

Passenger Facility Charges (PFCs) are federally authorized locally controlled user fees that airports use to fund Federal Aviation Administration (FAA) approved projects that enhance safety, security, or capacity; reduce noise; or increase airline competition. PFCs are collected by the airlines as part of the ticket purchase and are remitted directly to airports for deposit into PFC accounts. Almost all

airports in the United States collect PFCs, which by nature of the program, help offset the airlines cost of doing business at an airport because PFC-funded capital improvements cannot be charged to the airline rate base like bond-funded improvements. PFC funds are strictly controlled by FAA through annual audits, and when a change to the program is necessary or desired an airport sponsor must submit a PFC application amendment to the FAA for approval.

PFCs are always paid - if not at FAT, then at the next airport. Fresno's PFC program ensures the dollars stay local to improve Fresno's Airport, not another airport. These improvements enhance Fresno's ability to provide Jobs, economic stimulation and the Airport's viability.

The proposed PFC application will not increase the current \$4.50 per enplaned passenger fee currently charged under the existing program. Subject to FAA approval, the proposed PFC application will allow Airports to:

- Seek reimbursement for PFC-eligible project costs that were funded with Airports' cash;
- Fund PFC-eligible projects that can initiated within the next two years;
- Fund required local FAA grant match for projects that cannot use Measure C funds;
- Continue applying PFCs to partly pay for the annual debt service associated with the Series 2013 Bonds (Bonds) until maturity in 2030.

BACKGROUND

The City of Fresno ("City") has had a PFC program in place since 1996, which is used to fund airport capital work that is not eligible through FAA grants. The last PFC application that Airports processed (2004) followed the federal cap change from \$3.00 to \$4.50 per enplaned passenger but did not allow for any spending authorization on the \$1.50 incremental difference because at that time there were no PFC eligible projects on the table.

The airport receives approximately \$2.9 million annually in PFC collections. Of that amount \$1.6 million pays for PFC-eligible annual debt service associated with the Bonds, which paid for the 2002 Terminal and Concourse improvement project. The PFC account balance continues to grow annually by the remaining \$1.3 million, which is estimated have a balance of \$8 million by the end of FY 2016.

The proposed PFC update will include two major funding elements. First, use the \$8 million PFC account balance and subsequent \$1.3 million annual contributions to fund PFC-eligible Capital work that has been completed since 2004 and planned Capital work that can be reasonably started within two years. Second, continue paying the \$1.6 million debt service on the Bonds through maturity in FY 2030. The update will also adjust the total collection authorization to reflect the remaining debt service payments and cost of the Capital projects.

Due to passenger growth that exceeded projections used in the last PFC application, the current collection authorization of \$54.5 million, which did not include Capital work since 2004, is expected to expire in FY 2021, nine years prior to the maturity of the Bonds in FY 2030. The proposed application will, (i) extend the collection period to match the maturity of the Bonds, and, (ii) increase collection authorization to reflect the remaining debt service payments and cost of the Capital projects.

Authorizing this consulting services agreement will enable development of the application, which will identify all of the projects with associated dollar amounts, and will go to Council for approval before a

formal application to the FAA is made. Examples of eligible projects that have been completed since 2004 include, local grant match, terminal modernization work and loading bridge upgrades. Examples of eligible projects that may be executed in the next two years are airfield electrical system upgrades, security enhancements and local grant match not associated with Measure C.

An updated PFC program will enable productive use of the existing funds for projects which are needed but currently unfunded because FAA grants have higher restrictions preventing their use for these projects. This will free up the existing funds so they can be used for certain terminal improvements that are otherwise unfunded, which is a fundamental benefit to the City and the airlines.

The PFC application process will include consultation with the airlines, a public notice soliciting comments, and Council action approving the application prior to submission to the FAA. It is anticipated that the PFC application process will take between nine (9) and twelve (12) months to obtain FAA approval. Once approved, Airports will be able to continue making debt service payments through FY 2030, fund capital work not otherwise eligible through FAA grants and reimburse the Airport Enterprise Fund for completed PFC-eligible work.

Through a competitive Request for Qualifications (RFQ) process, Airports solicited Statements of Qualification from qualified firms to provide professional consulting services related to preparation of a PFC Application. Airports advertised the RFQ in The Business Journal and on its website, along with a direct mailing to known interested firms. Four professional consulting firms responded to the RFQ. Their qualifications were evaluated and rated by a selection committee in accordance with the provisions of the RFQ and City procurement procedures. Unison Consulting, Inc. was determined to be the most qualified firm.

The scope of work and fee contained in the agreement represents thorough review and negotiation with the consultant. The agreement utilizes City Standard Document #FYI-S-18.0, pre-approved as to form by the City Attorney's Office, and used without modification as certified by Airports staff.

Projects identified in the PFC application will include work that can be reasonably started within two years because FAA regulations require expenditure of PFC funds to begin within two years of application approval. Airports anticipates that there will be additional PFC program updates in future years as projects are completed and new PFC-eligible projects are needed.

ENVIRONMENTAL FINDINGS

Pursuant to California Environmental Quality Act (CEQA) Guidelines, Section 15378, this professional services contract is not a project.

LOCAL PREFERENCE

Local Preference was not implemented because no local firms responded to the RFQ.

FISCAL IMPACT

Approval of this action is the first step in allowing Airports to continue making debt service payments beyond 2021, improve Airports' liquidity through reimbursement of PFC-eligible costs previously funded with Airports' cash and funding projects with PFCs that have no other funding source

available. Augmenting liquidity is an important strategic goal, given the future need to fund parking expansion and other projects not eligible for PFC or grant funding. Funds are available in the Airports Adopted FY16 budget and the cost of the consulting services agreement is eligible for PFC reimbursement. There is no General Fund impact associated with this action.

Attachments:

PFC Consulting Services Agreement
Selection Committee Report