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**Title:** \*\*\*RESOLUTION - 526th amendment to the Master Fee Schedule (MFS) Resolution No. 80-420 to adjust rates and charges at Fresno Yosemite International Airport.

**Sponsors:** Airports Department

**Indexes:**

**Code sections:**

**Attachments:** 1. Resolution.pdf, 2. MFS\_Amendment Summary\_06.09.16.pdf, 3. MFS\_Amendment Detail\_Signatory Landing Fee Rate\_06.09.16.pdf, 4. MFS\_Amendment Detail\_Non-Signatory Landing Fee Rate\_06.09.16.pdf, 5. MFS\_Amendment Detail\_Terminal Rental Rate\_06.09.16.pdf, 6. MFS\_Amendment Detail\_Fed Inspection Station User Fee\_06.09.16.pdf, 7. Exhibit A.pdf

Date	Ver.	Action By	Action	Result
6/9/2016	1	City Council	approved	Pass

**REPORT TO THE CITY COUNCIL**

**June 9, 2016**

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

**SUBJECT**

\*\*\*RESOLUTION - 526<sup>th</sup> amendment to the Master Fee Schedule (MFS) Resolution No. 80-420 to adjust rates and charges at Fresno Yosemite International Airport.

**RECOMMENDATION**

Staff recommends Council approve Resolution 80-420 adopting the 526th Amendment to the Master Fee Schedule to incrementally increase the Signatory Landing Fee Rate (LFR), the Non-Signatory LFR, and the Terminal Rental Rate over a five year period, and to decrease the Federal Inspection Station (FIS) User Fee at Fresno Yosemite International Airport (FAT).

**EXECUTIVE SUMMARY**

The proposed five-year airline rate structure supports the Airports goal and ability to meet its ongoing facilities capital program, operations and maintenance costs, long term capital needs, and to ensure future investment grade bond ratings. The airlines support the five-year rate plan because they want to ensure that, (i) FAT continues to be a viable enterprise that is safe, efficient, secure and meets

their needs without the financial burden of deferred maintenance, and, (ii) FAT’s ability to fund necessary long term future capital needs is financially attainable.

The five-year incremental adjustment satisfies the airlines desire to smooth out the rate plan over time as compared to a one-time adjustment. The proposed rate plan does not obligate the City beyond its current obligation to provide, maintain and grow FAT facilities in a proactive and responsible manner.

The rates that airlines pay an airport represent a small percentage of their overall operating costs. For this reason, airport rates and charges are not a factor in an airline airfare setting model (fares are market and competition driven). In addition, the airlines recognize that FAT’s rates and charges are very low by industry standards, and the new rate plan continues to keep FAT’s rates well below those standards.

**BACKGROUND**

The current effective Signatory LFR is \$2.35; the cost-recovery rate is \$3.11. The current effective Terminal Rental rate is \$43.00; the cost-recovery rate is \$51.31. The Signatory LFR was last increased eight years ago, in FY 2009. The Terminal Rental Rate was consolidated and increased slightly with airline approval in FY 2014 (prior to that it had not been adjusted since FY 2009). Even though the rates are not at full cost recovery, Airports is committed to supporting our airline partners by continually seeking additional revenue streams to help offset their costs. The proposed multi-year pricing plan is consistent with this approach. Modest annual rate increases will offset modest increases in operating expenses, allowing Airports to recover a share of allocated costs approximately equal to the current share - about 40% percent of airfield costs and 30% of terminal costs.

Airports also proposes to decrease the FIS User Fee. FAT’s international service to Mexico is now over 11% of total passenger traffic. It has grown 161% over the last six years. FAT’s FIS User Fee is much higher than virtually all other international gateways in the United States because we have not yet been designated a Port of Entry by Customs and Border Protection (CBP). This means that in addition to arriving international passengers paying CBP for their cost to operate the FIS, Airports still has to pay CBP costs at FAT. In essence, double the revenue stream for CBP at FAT. For this reason the FAT FIS User Fee is currently \$14 per arriving international passenger. However, due to the strong growth in this market we are now in a position to reduce this fee to \$12 per arriving international passenger and recover operating and capital costs as required by Federal Aviation Administration policy.

The following table is a summary of the proposed changes.

Current FY 2016	Projection Period				
	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
<b>Signatory LFR per 1,000 pound units of landed weight</b>					
\$2.35	\$2.44	\$2.54	\$2.64	\$2.75	\$2.86
<b>Non-Signatory LFR per 1,000 pound units of landed weight</b>					
\$2.94	\$3.06	\$3.18	\$3.30	\$3.44	\$3.57
<b>Terminal Rental Rate per rented square foot per year</b>					
\$43.00	\$44.72	\$46.51	\$48.37	\$50.30	\$52.32
<b>FIS User Fee per deplaning int’l passenger</b>					

\$14.00	\$12.00
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**ENVIRONMENTAL FINDINGS**

This is not a “project” for the purpose of CEQA pursuant to CEQA Guidelines Section 15378.

**LOCAL PREFERENCE**

The City’s Local Preference Ordinance (FMC 4-108) does not apply as this is not a purchase of services, materials, supplies or equipment, or a competitive bidding solicitation.

**FISCAL IMPACT**

The cumulative effect of increasing the Landing Fee and Terminal Rental Rates is estimated to be an annual revenue increase of \$175,000. The impact of reducing the FIS User Fee will be offset by increasing numbers of arriving passengers. The additional revenue will be deposited into the Airports Enterprise Fund and support FATs facilities capital program, operations and maintenance costs, long term capital needs, and will ensure future investment grade bond ratings. As a major transportation gateway and economic engine for the City and surrounding region, the viability and growth of FAT will continue to stimulate the region and provide jobs. There is no impact to the General Fund from this item.

Attachments:

- Resolution
- Master Fee Schedule, Amendment Summary
- Master Fee Schedule, Amendment Detail - Signatory Landing Fee Rate
- Master Fee Schedule, Amendment Detail - Non-Signatory Landing Fee Rate
- Master Fee Schedule, Amendment Detail - Terminal Rental Rate
- Master Fee Schedule, Amendment Detail - Federal Inspection Station User Fee
- Exhibit “A”