

# COUNTY OF SAN MATEO

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## Inter-Departmental Correspondence

Date: February 21, 2001

Board Meeting Date: March 6, 2001

**TO:** Honorable Board of Supervisors

**FROM:** Neil R. Cullen, Director of Public Works

**SUBJECT:** Minimum Monthly Concession Fees Paid by Fixed Based Operators at San Carlos and Half Moon Bay Airports

### RECOMMENDATION

1. Determine if the minimum fee charged to fixed based operators should be increased or decreased each year based on the change in the Consumer Price Index.
2. If your Board determines that the minimum fee should be increased, adopt a resolution determining that the minimum fee will be adjusted each year based on the change in the Consumer Price Index beginning in July 1, 2001, in order to provide business operators time to determine if they wish to terminate their concession agreement or pay a higher fee (4/5ths vote required).

### Previous Board Action

1. Adopted Concession Agreement and Airport Business Operating Standards (Business Standards) for San Mateo County Airports.
2. Adopted the current concession fee rates which include a minimum fee per month or a percentage of gross income for Limited or Full Service concessionaires.
3. Directed staff to evaluate changing the minimum monthly concession fees based on an increase or decrease in the Consumer Price Index.

### Key Facts

1. Operators of businesses at the County Airports are required to enter into agreements with the County that comply with the Airport Business Standards adopted by your Board.

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2. The provisions of the Business Standards are incorporated into the concession agreements and provide that fees applicable to all like concession agreements may be increased or decreased by your Board during the life of the agreements by resolution of your Board, provided that any changes shall be effective only after reasonable notice is given to holders of the concession agreement (operators); and that the operators may terminate the concession agreement and not be liable for the increases in fees if the increased fees are not acceptable to the operators.
  
3. We have notified the holders of the concession agreements at both San Carlos and Half Moon Bay Airports as provided by the procedures outlined in the Business Standards, of your consideration of increasing the minimum monthly concession fees.

**Discussion**

Aviation related businesses operating on the San Carlos and Half Moon Bay Airports are currently required to pay a concession fee in addition to property lease, building rent, tiedown fees and fuel flowage fees. Your Board approved the current minimum fee structure as prior fee structures required costly and time consuming audits of the fixed based operators' financial records in order to confirm that they were paying the County appropriately. The current fee structure is as follows:

<b>Concession Activity</b>	<b>Concession Fee San Carlos</b>	<b>Concession Fee Half Moon Bay</b>
Limited Service: Aircraft Rental and Flight Instruction, or Aircraft Maintenance, or Aircraft Charter Service	The greater of \$500 per month or 1% of gross	The greater of \$150 per month or 1% of gross
Full Service: Aircraft Rental and Flight Instruction and Aircraft Maintenance and/or Aircraft Charter Service	The greater of \$1,000 per month or 1% of gross	The greater of \$200 per month or 1% of gross
Commercial Operating Permit: Non aviation revenue generating activities, one time, or limited aviation activities	\$50 - \$1,500 depending on activity	\$50 - \$1,500 depending on activity

The difference in fees between San Carlos and Half Moon Bay Airports acknowledges the low activity level at Half Moon Bay Airport and the limited opportunity for businesses in that environment.

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The 1% of gross concession fee charged at the County Airports is on the "high" side of comparable fees charged at other bay area general aviation airports who either do not have a charge (Santa Clara County Airports and Hayward Airport), or who charge the 1% of gross with no minimum monthly charge.

The base fee provides the Airport Fund with a minimum income independent of the actual financial activity of the fixed based operator. At the same time, the fixed based operator can anticipate the cost of their concession fee as it is fixed as a percentage of their gross revenues once they exceed the minimum payment. As an example, a fixed based operator would begin paying more than the \$500 per month fee once their gross revenues exceeds \$50,000 (1%\* \$50,000 = \$500).

The concession fee, while at face value appears low -- 1% of gross income -- can represent 10%-20% of the profits of a business for a business with a profit margin of 10% to 5%.

#### **Fiscal Impact**

The minimum monthly concession fees would increase to \$525 (rounded from \$527.51) for San Carlos and \$210 (rounded from \$211.00) for Half Moon Bay based on a change in the Consumer Price index from 174.5 in December 1999 to an index of 184.1 in December 2000. Increasing the minimum monthly fee may not impact the larger fixed based operators, as their gross receipts are currently greater than the monthly minimum. The increase may, however, have an impact on the smaller concessionaires, many of whom are operating on small profit margins. The smaller concessionaires may have difficulty paying the additional increase on top of lease, rental, tiedown and fuel flowage fees. Additionally, it may become more difficult to attract aviation related businesses to our airports to provide the services airport users require if our fees increase to the point where they become out of line with those at other airports.

The impact to the Airport Enterprise Fund as a result of increasing the minimum monthly fee is estimated at \$70 based on the current concession fees that are being paid. This increase may be offset by the loss of income should one or more of the businesses leave the airport due to an inability or unwillingness to pay the increased fee. Attached is a summary of the most recent payments made by the various concessionaires.

There is no impact to the General Fund.

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A form of resolution approved by County Counsel has been prepared if your Board determines that the minimum fees should be increased; and as stated previously, we have notified the holders of concession agreements at both airports of your consideration of this matter in compliance with the terms of the concession agreements. We will also bring the concession agreement of BelAir Aviation back to your Board once direction is given.



Neil R. Cullen

Director of Public Works

NRC:MCL:sdd

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Attachment: Summary Concessionaire Report

cc: Milt Mares, County Counsel

## CONCESSIONAIRE REPORT

Airport Business	Concession Type	% Gross Paid	Current Min. Fee	Ave. Mo. Fee Based on Last 6 Mo. Pymts	Proposed Min. Fee	Net Mo. Increase	Other County Fees Paid					
							Office	Hangar	Tiedowns	Fuel Flowage		
San Carlos Airport												
A	Limited	1%	\$500.00	\$1,393.94	\$525.00	\$0.00	Yes	Yes	Yes	Yes		
B	Limited	1%	\$500.00	\$500.00	\$525.00	\$25.00	Yes	Yes	Yes	Yes		
C	Limited	1%	\$500.00	\$902.03	\$525.00	\$0.00	No*	No*	Yes	Yes	Yes	Yes
D	Limited	1%	\$500.00	\$1,039.13	\$525.00	\$0.00	Yes	No	Yes	Yes	Yes	Yes
E (aircraft sales)**	Special	\$100/AC	\$100.00	\$150.00**	\$100.00	\$0.00	Yes	No	Yes	Yes	Yes	Yes
F	Limited	1%	\$500.00	\$500.00	\$525.00	\$25.00	Yes	No	Yes	Yes	Yes	Yes
Half Moon Bay Airport												
A	Full Service	1%	\$200.00	\$200.00	\$210.00	\$10.00	No*	Yes	No	No	Yes	Yes
B	Full Service	1%	\$200.00	\$200.00	\$210.00	\$10.00	No*	Yes	Yes	Yes	Yes	Yes
<b>Total Proposed Net Monthly Increase:</b>						<b>\$ 70.00</b>						

\* These hangars and offices are privately owned and rental fees are paid through the hangar and office owner.

\*\* Aircraft Sales Operator pays the County \$100 per aircraft and has a minimum monthly fee of \$100. During one of the last six months they sold three aircraft.

Resolution No. \_\_\_\_\_

Board of Supervisors, County of San Mateo, State of California

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**Resolution Authorizing an Annual Change in the Minimum Fees Paid by Concessionaires at San Carlos and Half Moon Bay Airports Based on Changes in the Consumer Price Index**

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**RESOLVED** by the Board of Supervisors of the County of San Mateo, State of California, that

**WHEREAS**, this Board, by Resolution No. 58093, adopted Airport Concession Agreement and Airport Business Standards which provide that like concessionaires at San Carlos or Half Moon Bay Airports shall be charged like concession fees; and

**WHREAS**, said concession fees for Limited Service or Full Service concessions consist of either a minimum amount per month or 1% of the gross income of the concessionaires, whichever is greater; and

**WHEREAS**, this Board has determined that it would be in the best interest of the County to revise said minimum fees based on changes in the Consumer Price Index – San Francisco-Oakland-San Jose Area as published by the Bureau of Labor Statistics;

**NOW, THEREFORE, IT IS HEREBY DETERMINED AND ORDERED** that the minimum fees charged to Limited Service or Full Service concessionaires as provided in Resolution No. 58093 previously adopted by this Board, shall be adjusted on July 1st of each year beginning on July 1, 2001, based on the change in the Consumer Price Index – San Francisco-Oakland-San Jose Area as published by the Bureau of Labor Statistics by comparing the Consumer Price Index for the preceding December with the Consumer Price Index for December 1999, rounded down to the nearest five dollar increments.

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