



TRUCKEE TAHOE AIRPORT DISTRICT BOARD OF DIRECTOR STAFF REPORT

AGENDA TITLE: New Landing Fee Proposal and Discussion

MEETING DATE: April 27, 2022

PREPARED BY: Kevin Smith, General Manager

RECOMMENDATION: Review provided information and provide direction to staff on a new proposed Landing Fee. This is a discussion item only. The objective of this agenda item is to gain insight from the Board and public on this proposal and return to the Board with a final proposal.

DISCUSSION: In December of 2021 the District completed an FBO Fee Comparisons Study (see attached). In January of 2022 the District completed a Cost and Revenue Allocation Study. These studies are attached to this staff report. These documents have been reviewed by the Board in previous meetings. For the past few months, Board and Staff have discussed using the information and data in these studies to complete a review of our current rates, fees, and charges to assure they are competitive with market conditions, provide a reasonable financial return, and recover costs to the District to provide products and services. Recently the District began this process by reviewing rent and lease rates for District buildings and land. We are currently working with various tenants to finalize that effort and complete the updated lease agreements.

The next item staff would like to review and analyze is a proposal to create a landing fee. While very common in the industry, the District has never charged a landing fee previously. Most general aviation airports with turbine and jet operations charge landing fees as well as most all commercial service airports.

What is a Landing Fee? A landing fee is a per plane charge for use of the airfield, typically assessed based on the 1000-lb maximum gross takeoff weight of the aircraft. Landing fees are intended to be a cost recovery tool and are not charged to generate a gross or net profit for the airport. The money generated by landing fees is used to pay for the maintenance and care of the airport's pavements, buildings, runways, aprons and taxiways, etc. In that the airside

infrastructure of the airport receives FAA federal funds, landing fees are intended to recover District expenditures of funds to maintain these facilities. In our 2021 Cost and allocation Study the District is expending between \$1,241,993¹ and \$1,511,237² to support the airside improvements per year. These expenditures account for and include Federal funds to support airport improvements and maintenance. These costs are eligible for recovery through a landing fee.

Landing Fee Calculation Methodologies: Staff has identified two methods for landing fee calculation. Staff recommends the Board consider the Cost Allocation Study Cost Recovery Option and the Pavement Wear and Tear Analysis Option.

Option 1 - Cost Allocation Study Recovery Methodology: This option would consider using a cost recovery methodology to recover the District's portion of airside maintenance costs. This ranges between \$1,241,993 and \$1,511,237 as discussed above. Staff recommends using the \$1,241,993 adjusted net income number from Financial Allocation Analysis Scenario D, Table 54 page 72 of the Scenarios C&D Study. This Number includes a 50%/50% cost allocation between Noise and Annoyance Programs and Air traffic Control Tower and ADSB costs respectively. Staff feels the Tower is providing positive and regular noise and annoyance benefits to the community and that Scenario D is the recommended allocation analysis to use for the calculation of a landing fee.

Staff recommends using Maximum Take Off Weight (MTOW) of aircraft for all transient aircraft over 6500 lb.³ and billing that weight at a set fee per 1000 lb. of MTOW is a common industry practice. Local based aircraft are typically not included in landing fee calculations. The recommended Landing Fee pro forma calculation under this methodology would be as follows:

Calculation Factors:

- Total poundage of transient aircraft over 6500 lbs. in 2021 = 174,000,000 lbs. (excludes local aircraft)
- Cost recovery target = \$1,241,993
- MTOW billable units = 174,000 (174,000,000 lb. divided by 1000 lb.)
- Landing Fee per 1000 lbs. MTOW = \$7.14 (\$1,241,993 divided by 174,000)

¹ \$1,241,993 is the average of the Airside Allocation Summary Adjusted Net Income from 2018 to 2020 for Financial Allocation Analysis Scenario D, Table 54 page 72 of the Scenarios C&D Study. This Number includes a 50%/50% cost allocation between Noise and Annoyance Programs and Air traffic Control Tower and ADBB costs respectively. It also accounts for Federal funds received by the District.

² \$1,511,237 is the average of the Airside Allocation Summary Adjusted Net Income from 2018 to 2020 for Financial Allocation Analysis Scenario B, Table 54 Page 72 of Scenarios A&B Study. This Number includes a 10%/90% cost allocation between Noise and Annoyance Programs and Air traffic Control Tower and ADBB costs respectively. It also accounts for Federal funds received by the District.

³ Examples of aircraft at the 6500 pounds MTOW would be a Socata TBM turbo Prop or a Cessna 414 Twin engine aircraft.

- Sample of Landing Fee applied to common transient aircraft:
 - Cessna 414 (light twin) = \$48
 - Pilatus PC-12 = \$75
 - King Air 350 (turbine twin) = \$107
 - Embraer Phenom 300 = \$124
 - Embraer Legacy = \$350
 - Bombardier Global Express \$710

This is a simple and common industry calculation methodology. These fees are commensurate with other airport landing fees. Here are a few examples of Landing Fees at other airports:

- Sun Valley ID - \$4.65
- Glacier Park Int'l Airport - \$6.00
- Aspen Co - \$8.61
- Telluride - \$5.75
- South Lake Tahoe Airport - \$4.10
- **Proposed TRK Fee – \$7.14**

The proposed fee would be considered above the industry average but within the range of what is charged at other airports. If the District used Scenario B as the basis for the Landing Fee calculation, the rate would be \$8.69 per 1000 lbs. MTOW and likely the most expensive landing fee charged in the Industry. Staff does not recommend this option.

Landing Fees are charged independent of Ramp/TU Fees. District Ramp/TU fees are currently competitive with other resort/mountain community airports. TU Ramp Fees are designed to generate income and recover costs to the District to operate the Fixed Base Operation (fuel, real-estate, and aircraft services). Please refer to the attached FBO Fee Study.

Staff recommends discontinuing the use of the term “Transient Use Fee” in favor of the more common industry term “Ramp Fee.” This will avoid confusion with operators who find the TU Fee confusing as it is not commonly used in the FBO industry.

Option 2 – Pavement Wear and Tear Analysis: This second option for landing fee calculation is based on information from our 2021 Pavement Maintenance and Management Plan (PMMP). Please review the attached Memo from Brandley Engineering to give an overview of how this methodology would function. This option does not use the Allocation Study data but instead considers pavement wear and tear per operation. It also only attempts to recover the 10% District cost to support AIP projects. Annually the District typically expends funds above and

beyond FAA Grant funding for pavement maintenance. This methodology does not recover these funds whereas Option 1 accounts for and recovers these funds. This is an interesting model to review and understand as it provides an additional perspective to calculate landing fees. If desired, it could be modified to include District pavement expenditures in addition to the 10% FAA funding if the wear and tear model is preferred. Staff estimates that this methodology, which increases fees based on aircraft weight, would recover about 50% of the funds recovered in Option 1.

NEXT STEPS: This is a discussion item to provide an overview of possible landing fee options. Staff recommends the Board consider Option 1 above using the adjusted net income number from Financial Allocation Analysis Scenario D. If the Board is in agreement with this option, staff will further refine this option and return with a formal proposal for Board approval. Once a landing fee methodology is selected and a Landing Fee proposal is formalized, staff recommends a 30 day comment period for public comment before final approval and implementation.

FISCAL IMPACT: If a landing fee is implemented, the District will be in position to possibly recover up to \$1,250,000 of airside operating costs. While there is a possibility that some operators may choose not to operate at TRK due to this fee, staff feels this is unlikely as these fees are commensurate with fees charged at other airports.

SAMPLE MOTION: No motion is necessary for this request. Direction to staff is requested.

ATTACHMENTS:

FBO Fee Study

Allocation Study A&B

Allocation Study C&D

Brandley Engineering Wear and Tear Analysis