

PORT ORDINANCE NO. 4526

ORDINANCE AMENDING PORT ORDINANCE NO. 4430  
RELATING TO LANDING AND TENANT TERMINAL SPACE  
RENTAL FEES AT METROPOLITAN OAKLAND INTERNATIONAL  
AIRPORT, WAIVING LANDING FEES FOR LANDINGS BY  
STUDENT PILOTS, WAIVING AIRCRAFT PARKING FEES FOR  
SIGNATORY AIRLINES AND ESTABLISHING NEW OUTSIDE  
STORAGE RATES FOR INTERMITTENT CARGO OPERATIONS  
ON THE SOUTH FIELD.

**WHEREAS**, the Board of Port Commissioners of the City of Oakland ("Board") has reviewed and evaluated the Agenda Report for Agenda Item 6.1, dated June 27, 2019 (the "Agenda Report") and related agenda materials, has received the expert testimony of Port of Oakland ("Port") staff, and has provided opportunities for and taken public comment; now, therefore

**BE IT ORDAINED** by the Board of Port Commissioners of the City of Oakland as follows:

The charges for use of facilities and the provision of Aviation Fuel at Metropolitan Oakland International Airport were established pursuant to Port Ordinance No. 4430 adopted by the Board on July 13, 2017, and are hereby amended, consistent with the Agenda Report, as follows:

**Section 1.** The landing fees and operation charges established under Section 2 and the space rental charges established under Section 10 of Port Ordinance No. 4430 are hereby amended as shown on the revised Rate Schedule attached to this Ordinance.

**Section 2.** Section 7 of Port Ordinance No. 4430 is hereby amended and restated as follows:

**"Section 7.** Except as otherwise provided in this Section 7, no landing fees shall be charged (a) for any Based Tenant Aircraft operations not engaged in Commercial Operations, (b) for any Aircraft chartered or operated by the federal government or by the State of California or any of their agencies, except in the event that an agreement between the Port and the federal government or the State of California or any of their agencies establishes such landing fees, (c) of federal government or State of California Aircraft being repaired or overhauled by an Airport-based company for which prior approval of the Director has been obtained, (d) for Angel Flight operations, or (e) for landings by student pilots of schools providing Flight Instruction Services (as defined in Port Ordinance No. 4126, as amended - Oakland International Airport Minimum Standards for Providers of Aeronautical Services and Self Fueling at the North Field). "Angel Flight" means a flight operation by a volunteer pilot using his/her own personal aircraft and time to transport patients and family members to a medical facility for no charge."

**Section 3.** The last sentence of Section 9 of Port Ordinance No. 4430 is hereby amended to read as follows: "For Fiscal Year 2019-2020, for Signatory Airlines, the South Field Aircraft storage fees set forth in Sections 9.a.(1), 9.a.(3), 9.b.(1) and 9.b.(2) shall be held in abeyance."

**Section 4.** Section 9 of Port Ordinance No. 4430 is hereby amended by adding the following new Section 9.b.(5):

"(5) **Signatory Airlines/Based Tenant Aircraft in Commercial Cargo and Handling Operations.** For paved or improved heavy Aircraft apron in the South Field utilized by Based Tenant Aircraft for air cargo operations, including the loading and unloading of cargo on the apron in and around each such Aircraft, and for paved or improved individual air cargo apron parking and staging area in the South Field designated to accommodate all Aircraft Types at the fees detailed below.

<b>Aircraft Type</b>	<b>Monthly Rate</b>	<b>First 8 Hours or Fraction Thereof</b>	<b>Each Additional 8 Hours or Fraction Thereof</b>	<b>Maximum Total Daily Rate</b>
All	\$10,734.46	\$1,073.45	\$461.58	\$1,996.61

The fees provided for in this Section 9.b.(5) shall not be available to an operator of Based Tenant Aircraft that has not signed and returned the Port's Space/Use Permit or similar agreement covering such Aircraft apron, and that does not sign and return such Space/Use Permit or similar agreement within 60 days after its receipt of such Space/Use Permit or similar agreement. The fees provided for in this Section 9.b.(5) shall be subject to a 25% surcharge for non-Signatory Airlines and/or an operator that has not signed and returned the Port's Space/Use Permit or similar agreement. These rates are also subject to Sections 9.b.(3), and 9.b(4)."

**Section 5.** The last sentence of Section 10.14 of Port Ordinance No. 4430 is hereby amended to read as follows: "The rental rate for concession office and storage space is \$5.656 per square feet per month."

**Section 6.** The Board hereby finds and determines that this Ordinance is exempt pursuant to California Environmental Quality Act Guidelines Section 15273(a).

**Section 7.** This Ordinance shall be effective July 1, 2019 for Signatory Airlines, and October 1, 2019 for all others, except that the exception set forth in new Section 7(e) of Port Ordinance No. 4430 shall be retroactive to October 1, 2017.

**Section 8.** In acting upon this matter, the Board has exercised its independent judgment based on substantial evidence in the record and adopts and relies upon the facts, data, analysis, and findings set forth in the Agenda Report and in related agenda materials and in testimony received.

The Board of Port Commissioners, Oakland, California, June 27, 2019. Passed to print for one day by the following vote: Ayes: Commissioners Cluver, Lee, Leslie, Martinez, Story and President Butner - 6. Excused: Commissioner Colbruno - 1. Noes: 0.

Daria Edgerly

Secretary of the Board

**EXHIBIT A  
RATE SCHEDULE**

	Rate Ord Section	FY2019-20
<b>LANDING FEES</b>		
<b>Signatory Airline; Based Tenant, Engaged in Commercial Operations</b>		
Minimum Charge per Landing	2 (a)	\$ 37.74
Landing Fee	2 (b) (i)	3.02
<b>All Other Aircraft</b>		
Minimum Charge per Landing	2 (a)	\$ 47.18
Landing Fee	2 (b) (ii)	3.77
<b>No landing fee shall be charged for landings of:</b>		
1 Any Aircraft which, after taking off from the Airport, and without making a landing at any other airport, returns to land at the Airport because of meteorological conditions, mechanical or operating causes, or any other reason of emergency;	3	\$ -
2 Any Based Tenant Aircraft not engaged in Commercial Operations;	7 (a)	\$ -
3 Aircraft chartered or operated by the federal government or by the State of California or any of their agencies, except in the event that an agreement between the Port and the federal government or the State of California or any of their agencies establishes such landing fees;	7 (b)	\$ -
4 Federal government or State of California Aircraft being repaired or overhauled by an Airport-based company for which prior approval of the Director has been obtained.	7 (c)	\$ -
5 Angel Flight operations	7 (d)	\$ -
6 Student pilots of schools providing Flight Instruction Services	7 (e)	\$ -

**TERMINAL RATES AND FEES**

<b>Terminal Space Rental Rates (psf/per month)</b>	<b>10.1</b>		
Category I - Preferential Ticket Counter Space	10.1(a)	\$	32.323
Category II - Exclusive Office and Preferential Holdroom Space	10.1(b)		29.090
Category III - Baggage Claim Space	10.1(c)		25.858
Category IV - Preferential Baggage Make-up Space	10.1(d)		22.626
Category V - Common Use Ticket Counter Space	10.1(e)		16.161
Category VI - Common Use Office Space	10.1(f)		14.545
Category VII - Common Use Baggage Make-up Space	10.1(g)		11.313
<b>Preferential Holdroom Monthly Charge (per each Holdroom)</b>	<b>10.1</b>	<b>\$</b>	<b>72,009</b>
<b>Baggage Claim Monthly Charges - Signatory Airline</b>	<b>10.2</b>		
Allocated based on % deplaning passengers			
Terminal 1		\$	529,732
Terminal 2		\$	402,406
<b>Baggage Claim Fee per Deplaned Passenger- Non-Signatory Airline</b>	<b>10.2</b>	<b>\$</b>	<b>2.02</b>
<b>Common Use Fee per Operation - Signatory Airline</b>	<b>10.3</b>	<b>\$</b>	<b>686</b>
Common Use Fee per Operation - Non-Signatory Airline			858
<b>Secondary Use Fees per Operation:</b>	<b>10.4</b>		
Applicable to Signatory Based Airline only			
Aircraft with 90 seats or more		\$	511
Aircraft with 31 to 89 seats			255
Aircraft with 30 seats or fewer			128
<b>Airline Self-Service Kiosk - per unit per month</b>	<b>10.5</b>	<b>\$</b>	<b>50.00</b>
<b>Federal Inspection Services (FIS) Facility Fee</b>	<b>10.7</b>	<b>\$</b>	<b>12.00</b>

## AGENDA REPORT

**Ordinance:** Approval of Proposed Fiscal Year 2019-20 Airline Landing Fee Rates, Terminal Space Rental Rates, and Other Fees Generating \$101.9 Million in Revenue, and Amending Port Ordinance No. 4430 to (i) Waive Landing Fees for Student Pilots of Schools Providing Flight Instruction Services, Retroactive to October 1, 2017; (ii) Waive Aircraft Parking Fees for Signatory Airlines; and (iii) Establish New Outside Storage Rates for Intermittent Cargo Operations on the South Field. **(Aviation)**

**MEETING DATE:** 6/27/2019

**AMOUNT:** \$101.9 Million Estimated Annual Rates & Charges Revenue (\$35.2 Million in Airline Landing Fee Revenues, \$63.0 Million in Airline Terminal Rentals and Use Fees, and \$3.7 Million in Non-Airline Terminal Rentals)

**PARTIES INVOLVED:** Various Passenger and Cargo Airlines, and Other Commercial Tenants, Using the Airfield Ramps and Runways, and Occupying Space Within the South Field Terminal Complex at Oakland International Airport, and Student Pilots of Flight Instruction Services Operating at the North Field

**SUBMITTED BY:** Bryant L. Francis C.M., Director of Aviation

**APPROVED BY:** J. Christopher Lytle, Executive Director

**ACTION TYPE:** Ordinance

### **EXECUTIVE SUMMARY**

This action would give first reading to an ordinance amending Port Ordinance No. 4430, relating to Landing Fee Rates, Terminal Space Rental Rates and Other Fees assessed to all scheduled, charter and itinerant passenger and cargo airlines, and charged to many other tenants occupying space within the Terminal Complex or utilizing the airfield at Oakland International Airport, including the waiver of aircraft parking fees for Signatory Airlines, and waiving landing fees for student pilots utilizing flight training schools operating at the North Field.

### **BACKGROUND**

All scheduled, charter and itinerant passenger and cargo airlines using Oakland International Airport ("OAK" or the "Airport") are required to pay Airline Rates and Charges ("Rates & Charges") in accordance with the Board's Ordinance No. 4430, adopted by the Board on July 13, 2017, and subsequently amended by Ordinance No. 4483. Most airlines operating at

OAK have entered into an *Airline Operating Agreement*<sup>1</sup>; a 25% surcharge, set forth by the same ordinance, typically applies to air carriers that are non-signatory, i.e. are not party to an *Airline Operating Agreement*.

The Port of Oakland (“Port”) Board of Port Commissioners establishes Rates & Charges by ordinance on a fiscal year basis. The Rates & Charges proposed in this Agenda Report will be effective July 1, 2019 for signatory airlines and will be effective October 1, 2019 for non-signatory airlines and other non-airline tenants.

For Rates & Charges purposes, the Airport is divided into several cost centers. The passenger terminal areas (“Terminal”), the airfield, runways and taxiway areas (“Airfield”), and contract fueling activities are airline-supported cost centers based on the total airline requirement for each airline-supported cost center. The airlines have no financial responsibility for OAK’s other cost centers, such as Ground Transportation & Access, Cargo, Leased Areas and others.

Rates & Charges for the Terminal and the Airfield cost centers are set annually by the Board at the beginning of each Fiscal Year based on budgeted expenses in the upcoming Fiscal Year; however, rates may be adjusted more frequently.

To determine Rates & Charges, Port staff summarizes the direct and indirect expenses allocable to each of the cost centers for the pending Fiscal Year. The following are included in the calculation of each cost center requirement:

- (i) Operating and Maintenance Expenses: Including surpluses and/or deficits from prior years (true-ups);
- (ii) Allocated Capital Costs: To the extent the proceeds of any Senior Lien Bonds, Intermediate Lien Bonds or Commercial Paper (“CP”) Notes were spent on such facilities, an allocated capital cost equal to 1.25 times debt service on the applicable Senior Lien Bonds and 1.10 times debt service on the applicable Intermediate Lien Bonds and CP Notes; and,
- (iii) Amortization Charge: For the Port’s internally-generated capital invested in the Airport with an interest component.

The Landing Fee Rates are derived after subtracting airfield revenues from estimated airfield expenses and dividing the resulting Airline Airfield Requirement by projected landed weight<sup>2</sup> for both cargo and passenger airlines.

Each year, Port staff meets with the AAAC member airlines to discuss the proposed Rates & Charges and to answer pertinent questions. This year’s meeting was held on May 7, 2019. Based upon Aviation’s proposed FY2019-20 budget and the AAAC member airlines’

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<sup>1</sup> “Signatory” airlines are those airlines who have executed the Port’s standard form *Airline Operating Agreement*. Signatory airlines are members of the Airport Airline Affairs Committee (“AAAC”). The AAAC member airlines have agreed to accept a July 1<sup>st</sup> effective date for Rates & Charges even if such date would be retroactive to the effective date of the applicable Board-adopted ordinance.

<sup>2</sup> Early in the budget-development cycle, Aviation staff estimates future airline flight activity based on current activity, aircraft types, and projected air service into the new fiscal year. This activity is converted into aircraft “landed weights” and conveyed to each Signatory Airline for confirmation or correction. All estimates are added together to equal the total “projected landed weight” for cargo and passenger airlines.

concurrence obtained at that meeting, staff recommends approval of the proposed Rates & Charges for FY2019-20 as detailed in the Analysis and Appendix A – Rate Schedule.

As information, as part of the FY2017-18 development of the Operating Budget and annual Rates & Charges, staff recommended, and the Board adopted Ordinance No. 4430, which amended and restated the prior Ordinance No. 3634, which had been modified multiple times since its adoption in 2001. This updated Rates & Charges Ordinance is now consistent with current practices and industry standards; it simplified the fee structure, revised or eliminated several categories of fees and charges, and established a better cost recovery basis for user fees and streamlined the billing process.

**ANALYSIS**

The proposed FY2019-20 Rates & Charges described in this Agenda Report are based on:

- The Port’s FY2019-20 Budget for OAK’s Airfield and Terminal Cost Centers; and,
- True-up adjustments based on FY2017-18 actual results in the Airfield and Terminal Cost Centers.

Airfield Cost Center

FY2019-20, total Airfield expenses are estimated at \$45.9 million. The total true-up credit applied to the proposed Landing Fee Rates is \$4.4 million, which is FY2017-18 surplus, credited back to the airlines’ rates. Additionally, the Airfield expenses are offset by estimated FY2019-20 non-airline airfield revenues of \$6.2 million. This results in a net FY2019-20 Airline Airfield Requirement of \$35.2 million, which is \$2.8 million less than in FY2018-19.

<b>CALCULATION OF SIGNATORY LANDING FEE RATE</b>	
<b>Total Airfield Cost Center Expenses</b>	<b>\$45,868,000</b>
Less: Non-Airline Airfield Revenues	(6,218,000)
Add: FY2016-17 True-up	(4,449,000)
<b>Airline Airfield Requirement</b>	<b>\$35,201,000</b>
Landed Weight (in 1,000 pounds)	11,659,000
<b>Signatory Landing Fee Rate</b>	<b>\$3.02</b>

The Landing Fee Rate is calculated by dividing the Airline Airfield Requirement by the projected FY2019-20 landed weight of 11.66 billion pounds, a 3.5% decrease under FY2018-19 budgeted landed weight.

The FY2018-19 Signatory Landing Fee Rate equals \$3.02 per thousand pounds of landed weight, a net 3.9% decrease or 12¢ per thousand pounds less than the FY2018-19 budgeted \$3.14 per thousand pounds of landed weight.

Terminal Cost Center

FY2019-20, total Terminal expenses are estimated at \$88.6 million. For the Terminal Cost Center, there is no revenue credit but there is a FY2017-18 true-up credit that reduces the Airline Terminal Requirement by approximately \$192,000.



<b>CALCULATION OF EFFECTIVE AVERAGE TERMINAL RENTAL RATE</b>			
<b>Total Terminal Cost Center Expenses</b>			<b>\$88,608,876</b>
Add: Prior Years' True-Ups			(0)
<b>Total Terminal Requirement</b>			<b>\$88,608,876</b>
Less: Loading Bridge Requirement			(2,002,827)
<b>Adjusted Terminal Requirement</b>			<b>\$86,606,049</b>
Leasable Terminal Space (Square Feet)			261,674
<b>Effective Average Terminal Rate</b>	<b>A</b>		<b>\$330.97</b>
Airline Leased Space (Square Feet)	<b>B</b>		162,577
<b>Airline Terminal Requirement</b>	<b>AxB</b>		<b>\$53,807,989</b>
Add: FY2017-18 True-up			(192,066)
<b>Airline Rentals</b>			<b>\$53,615,922</b>
Loading Bridge Charge			1,381,260
<b>Total Airline Terminal Requirement</b>			<b>\$54,997,182</b>

To establish the Effective Average Terminal Rental Rate, the Terminal Requirement is further adjusted for passenger loading bridge janitorial and maintenance expenses, totaling \$2.0 million, which are charged to the airlines for their use of the holdrooms and loading bridges, separate from the charges for terminal rents. The adjusted Terminal Requirement of \$86.6 million is then divided by the total Terminal leasable space of 261,674 square feet, resulting in FY2019-20 Effective Average Terminal Rental Rate of \$330.97 per square foot. This \$330.97 per square foot Effective Average Terminal

Rental Rate is 8.7% – or \$26.60 per square foot – higher than the FY2018-19 rate of \$304.37 per square foot.

The Total Airline Terminal Requirement is calculated based on Airline Leased Space and the Effective Average Terminal Rental Rate, net of FY2017-18 True-up credit and including charges for the leased loading bridges, and totals \$55 million in FY2019-20, which is \$4.8 million, or 9.6% higher than in FY2018-19.

Port Ordinance No. 4430 Exceptions:

Landing Fee Waivers – Flight Schools: As noted above, in updating the Rates & Charges Port Ordinance No. 4430, several categories of fees and charges were eliminated. One landing fee waiver that was discontinued covers landings and operations of flight training and schools – Flight Instruction Services<sup>3</sup> – which operate pursuant to FAA Part 91 rules. Pursuant to Port Ordinance No. 4430, Flight Instruction Services fall within the definition of “Commercial Operations”, defined as “the owning, controlling, operating or managing of Aircraft for any commercial purpose and receiving compensation therefrom, in any form whatsoever”. Flight training and schools provide a valuable service to the aviation industry; most student pilots are trained and practice in small aircraft, which at OAK would be subject to the minimum landing fee of \$47.18. There are an estimated average 20 student pilot landings per day at OAK, or approximately 7,300 landings per year, which would generate approximately \$350,000 in revenue at the minimum landing fee rate.

Student pilots training out of OAK are already faced with the rising costs of aircraft rental, insurance, and paying the highest cost for aviation fuel in the nation; when adding even the minimum landing fee of \$47.18 to these other costs, it simply makes training at OAK

<sup>3</sup> “Flight Instruction Services” are defined in Port Ordinance No. 4126, as amended – Oakland International Airport Minimum Standards for Providers of Aeronautical Services and Self Fueling at the North Field) and shall mean instructing pilots in dual and solo flight training in fixed and/or rotary wing aircraft, and shall provide such related ground school instruction as necessary preparatory to a student taking a written examination and flight check ride for the category or categories of pilots’ license and rating from the FAA.

financially impossible. As a public service, and at the request of KaiserAir and Signature Flight Support (Fixed Base Operators<sup>4</sup> who handle and fuel most flight training operations), staff is recommending student pilots of schools providing Flight Instruction Services be exempted from paying landing fees by adding a new exemption (e) to Section 7 of Port Ordinance No. 4430 retroactively to October 1, 2017 when this provision of Port Ordinance No. 4430 became effective.

Since Port Ordinance No. 4430 became effective in 2017, the FBOs were not aware that Flight Instruction Services are now considered Commercial Operations, and have not collected landing fees from student pilots for flight training operations, nor has Port Staff budgeted for these landing fees. Therefore, the waiver of these landing fees will have no impact on the proposed FY2019-20 Operating Budget, or prior or future budgets. Conversely, if flight training ceased at OAK because of the high cost, the Port would lose the fuel flowage fee collected by the FBOs (25,000+ gallons per year at 19¢ per gallon = \$5,250+ per year) plus the Port could lose hangar and maintenance tenants.

Continued Waiver of South Field Aircraft Parking Fees: Pursuant to Port Ordinance No. 4430, all aircraft operators pay aircraft storage fees for the time those aircraft are parked on the airfield or at the Terminal Complex. Fees are established in eight (8) hour intervals, or on a daily or monthly basis, and based on wingspan or nose-to-tail length. Rates for passenger aircraft are significantly less than for cargo aircraft, and the fee is waived for the first three (3) hours for passenger airlines. In addition, rates between North Field and South Field are not consistent. Finally, these rates have not been adjusted since at least April 2001 when Port Ordinance No. 3634 was initially adopted by the Board. For the past four fiscal years, staff recommended and the Board approved a one-year abeyance as it relates to passenger and cargo aircraft parking fees at the South Field for signatory airlines. Parking Rates for itinerant airline aircraft on the South Field, and all North Field parking rates, remain applicable. As Port staff continues to research the viability of charging the commercial airlines for aircraft parking, and evaluate and rationalize the aircraft parking rate structure, we recommend a continuance of the abeyance of these specific aircraft parking fees. This abeyance would decrease revenue by approximately \$150,000 and increase the proposed Landing Fee Rates by about 1¢.

Port Ordinance No. 4430 Addition:

Section 9 of Port Ordinance No. 4430 establishes rates for storage of Aircraft at the Airport. Due to increased demand for air cargo companies to store aircraft and to load, unload and handle cargo operations on an intermittent basis, Staff is recommending the Board to establish the following rate:

Section 9.b.(5): **“Signatory Airlines/Based Tenant Aircraft in Commercial Cargo and Handling Operations.** For paved or improved heavy Aircraft apron in the South Field utilized by Based Tenant Aircraft for air cargo operations, including the loading and unloading of cargo on the apron in and around each such Aircraft, and for paved or

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<sup>4</sup> Fixed Base Operators – FBOs – conduct a wide range of aeronautical support activities including, but not limited to customer service to itinerant general and corporate aviation aircraft, fueling, maintenance and charter flights. In addition, FBOs located at OAK lease hangar, aircraft apron and support space from the Port, and then sublease some of that space to corporate clients.

improved individual air cargo apron parking and staging area in the South Field designated to accommodate all Aircraft Types at the fees detailed below.

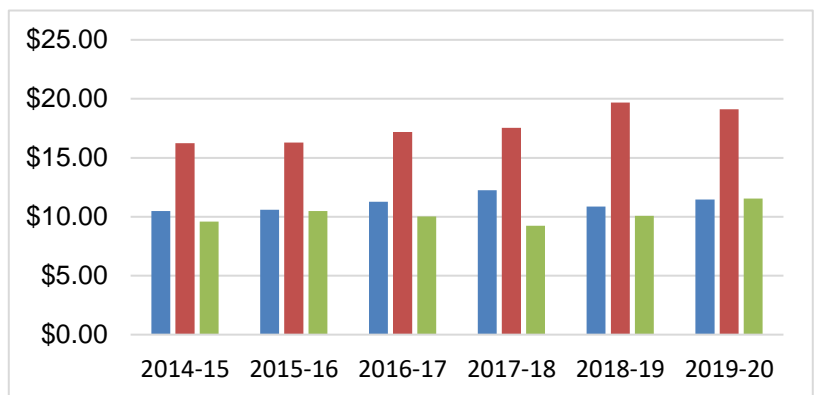
Aircraft Type	Monthly Rate	First 8 Hours or Fraction Thereof	Each Additional 8 Hours or Fraction Thereof	Maximum Total Daily Rate
All	\$10,734.46	\$1,073.45	\$461.58	\$1,996.61

The fees provided for in this Section 9.b.(5) shall not be available to an operator of Based Tenant Aircraft that has not signed and returned the Port’s Space/Use Permit or similar agreement covering such Aircraft apron, and that does not sign and return such Space/Use Permit or similar agreement within 60 days after its receipt of such Space/Use Permit or similar agreement. The fees provided for in this Section 9.b.(5) shall be subject to a 25% surcharge, set forth by Port Ordinance No. 4430, for any Airline Operator who is not party to an *Airline Operating Agreement* with the Port and has not signed and returned a Space/Use Permit or similar agreement. These rates are also subject to Sections 9.b.(3), and 9.b(4).”

Impact of Proposed Rates & Charges. Cost Per Enplaned Passenger (CPE)<sup>5</sup> is a commonly used metric for comparing airport terminal and airfield expenses paid by passenger airlines. With the Rates & Charges proposed in this Agenda Report, budgeted FY2019-20 CPE for airlines serving OAK, and CPE for the prior six years at OAK, San Francisco International Airport (SFO) and Mineta San Jose International Airport (SJC) are summarized below:

**Cost Per Enplaned Passenger**

Fiscal Year	OAK	SFO	SJC
2019-20B	\$11.45	\$19.10	\$11.55
2018-19	10.86	19.68	10.07
2017-18	12.25	17.54	9.24
2016-17	11.28	17.18	10.01
2015-16	10.60	16.29	10.48
2014-15	10.48	16.23	9.60
2013-14	11.22	15.85	10.98



Detailed Rates & Charges. The proposed Schedule of Landing Fee Rates and Terminal Space Rental Rates (including eight Categories of Terminal Space Rental Rates that make up the Effective Average Rental Rate) are shown on Attachment A.

<sup>5</sup> As described above, airlines operating at OAK reimburse the Port for expenses associated with providing and maintaining the airfield and terminal facilities, less any non-airline revenues. The cost to the passenger airlines for operating at OAK can be divided by the number of enplaned passengers to compute the average airline CPE. The CPE can be compared to industry averages, other airports and other airline costs, and can be used by the Port to evaluate the financial impact on OAK’s airlines of increasing or decreasing airport operating expenses.

## **BUDGET & STAFFING**

Approval of the proposed FY2019-20 Rates & Charges will generate sufficient revenues for the Port to recover budgeted operating expenses, debt service payments and costs of completed capital improvements, funded with Port cash, in the Airfield (\$35.2 million) and Terminal (\$63.0 million) Cost Centers for FY2019-20. These revenues will be trued up against actual expenses, based on audited FY2019-20 financials.

The proposed action does not have any staffing impact.

## **MARITIME AVIATION PROJECT LABOR AGREEMENT (MAPLA)**

The matters contained in this Agenda Report do not fall within the scope of the Port of Oakland Maritime and Aviation Project Labor Agreement (MAPLA) and the provisions of the MAPLA do not apply.

## **STRATEGIC PLAN**

The action described herein would help the Port achieve the following goals and objectives in the Port's Strategic Business Plan (2018-2022).

<https://www.portofoakland.com/wp-content/uploads/Port-of-Oakland-Strategic-Plan.pdf>

Goal: Grow Net Revenues

Goal: Improve Customer Service

## **LIVING WAGE**

Living wage requirements, in accordance with the Port's Rules and Regulations for the Implementation and Enforcement of the Port of Oakland Living Wage Requirements (the "Living Wage Regulations"), do not apply because the requested action is not an agreement, contract, lease, or request to provide financial assistance within the meaning of the Living Wage Regulations.

## **SUSTAINABILITY**

Port staff have reviewed the Port's 2000 Sustainability Policy and did not complete the Sustainability Opportunities Assessment Form. There are no sustainability opportunities related to this proposed action because it does not involve a development project, purchasing of equipment, or operations that presents sustainability opportunities.

## **ENVIRONMENTAL**

This ordinance is statutorily exempt pursuant to the California Environmental Quality Act (CEQA) Guidelines Section 15273 (a). CEQA does not apply to the establishment, modification, structuring, restructuring, or approval rates, tolls, fares, and other charges by public agencies which the public agency finds are the purpose of: (1) Meeting operating expenses, including employee wage rates and fringe benefits; (2) Purchasing or leasing supplies, equipment, or materials; (3) Meeting financial reserve needs and requirements; (4) Obtaining funds for capital projects necessary to maintain service within existing service areas; or (5) Obtaining funds necessary to maintain such intra-city transfers as are authorized by the city charter.

## **GENERAL PLAN**

This action does not change the use of any existing facility, make alterations to an existing facility, or create a new facility; therefore, a General Plan conformity determination pursuant to Section 727 of the City of Oakland Charter is not required.

## **OWNER-CONTROLLED INSURANCE PROGRAM (OCIP)**

The Owner Controlled Insurance Program (OCIP) does not apply to the matters addressed by this Agenda Report as they are not capital improvement construction projects.

## **OPTIONS**

1. Approve (i) the proposed Rates & Charges for Landing Fee Rates and Terminal Space Rental Rates for FY2019-20 to recover Airfield Cost Center and Terminal Cost Center expenses budgeted in FY2019-20; (ii) waiver of landing fees for student pilots of schools providing Flight Instruction Services, retroactive to October 1, 2017 when these landing fee rates went into effect pursuant to Port Ordinance No. 4430; (iii) holding in abeyance for FY2019-20 aircraft storage fees for signatory passenger and cargo airlines parking on the South Field; and (iv) establishing new outside storage rates for intermittent cargo operations on the South Field. This is the recommended action. Or,
2. Do not approve (i) the proposed Rates & Charges for Landing Fee Rates and Terminal Space Rental Rates for FY2019-20 and maintain current rates, thereby overcharging Landing Fee Rates and undercharging the airlines and other tenants for Terminal Space Rental Rates, which will generate a revenue surplus in the Airfield and a revenue shortfall in the Terminal Cost Centers; and, (ii) the abeyance of aircraft storage fees for signatory passenger and cargo airlines parking on the South Field, which would result in a slight decrease in the Landing Fee Rates.

## **RECOMMENDATION**

It is recommended that the Board give first reading to adopt an ordinance amending Port Ordinance No. 4430 to:

- Establish the FY2019-20 Rates & Charges for Landing Fee Rates and Terminal Space Rental Rates as detailed on Attachment A;
- Waive landing fees for student pilots of schools providing Flight Instruction Services, retroactive to October 1, 2017 when such landing fees became effective pursuant to Port Ordinance No. 4430;
- Hold in abeyance for FY2019-20 – for signatory passenger and cargo airlines – the aircraft storage fees specified in Sections 9.a.(1). 9.a.(3), 9.b.(1) and 9.b.(2) of Ordinance No. 4430; and
- Establish new outside storage rates for intermittent cargo operations on the South Field,

All subject to the Port Attorney's review and approval as to form and legality.

## ATTACHMENT A

### SCHEDULE OF LANDING FEE RATES AND TERMINAL SPACE RENTAL RATES

<u>Landing Fees</u>	<u>Current Charges (\$)</u>	<u>Proposed (\$) – FY2019-20</u>
<b><u>Signatory Airlines/Based Tenant Aircraft Engaged in Commercial Operations</u></b>		
Landing Fee	3.14	3.02
Minimum Charge Per Landing	39.28	37.74
<b><u>All Other Aircraft</u></b>		
Landing Fee	3.93	3.77
Minimum Charge Per Landing	49.10	47.18
<b><u>Terminal Space Rental Rates</u></b>		
	<u>Per Sq. Ft. Per Month</u>	<u>Per Sq. Ft. Per Month</u>
Category I: Ticketing Counter	29.510	32.323
Category II: Office Space	26.559	29.090
Category III: Baggage Claim	23.608	25.858
Category IV: Baggage Make-Up	20.657	22.626
Category V: Ticket Counter (Common Use)	14.755	16.161
Category VI: Office Space (Common Use)	13.279	14.545
Category VII: Baggage Make-Up (Common Use)	10.328	11.313
Category VIII: Concession Office/Storage Space	5.164	5.656
<b><u>Other Charges</u></b>		
Holdroom, Loading Bridge	65,005.00 per month	72,009.00 per month
Common Use – Signatory	643.00	686.00
Common Use – Non-Signatory	803.00	858.00
Secondary Use Fees:		
Aircraft with over 90 seats	474.00	511.00
Aircraft with 31 to 89 seats	237.00	255.00
Aircraft with 30 seats and fewer	119.00	128.00
Baggage Claim Area, Non-Based Airline	1.81 per deplaning passenger	2.02 per deplaning passenger
International Passenger FIS Facilities	12.00 Per Arriving Passenger	12.00 Per Arriving Passenger
Baggage Conveyor Facility Fee Terminal 1	483,630.00 (Shared by all Terminal 1 Airlines, allocated by %deplaning passengers in Terminal 1)	529,732.00 (Shared by all Terminal 1 Airlines, allocated by %deplaning passengers in Terminal 1)

	<u><b>Current Charges (\$)</b></u>	<u><b>Proposed (\$)</b></u> – FY2019-20
<b>Baggage Conveyor Facility Fee Terminal 2</b>	<b>367,385.00</b> (Shared by all Terminal 2 Airlines, allocated by %deplaning passengers in Terminal 2)	<b>402,406.00</b> (Shared by all Terminal 2 Airlines, allocated by %deplaning passengers in Terminal 2)
<b>Self-Service Check-In Unit (SSUs)</b>	<b>50.00</b> Per Unit Per Month	<b>50.00</b> Per Unit Per Month
 <b><u>Airline Services Providers</u></b>		
<b>All Airline Services Providers (except construction contractors) pay a Concession Fee of Ten Percent (10%) of Gross Revenue Subject to a Minimum Monthly Fee:</b>		
<ul style="list-style-type: none"> <li>• Operating at the South Field</li> <li>• In-Flight Catering Services Providers</li> <li>• Operating at the North Field</li> </ul>	<b>Monthly Minimum Fee</b> 250.00 500.00 500.00	<b>Monthly Minimum Fee</b> 250.00 500.00 500.00
<ul style="list-style-type: none"> <li>• Construction Contractors</li> </ul>	<b>Fixed Annual Fee</b> 500.00	<b>Fixed Annual Fee</b> 500.00