ITEM NO. 29

STAFF REPORT

CITY OF OCEANSIDE

DATE: June 7, 2006

TO: Honorable Mayor and City Councilmembers

FROM: Public Works Department

SUBJECT: **ADOPT A RESOLUTION ADJUSTING RENTAL RATES FOR HANGARS AND TIE-DOWNS AT THE OCEANSIDE MUNICIPAL AIRPORT**

SYNOPSIS

Staff requests the City Council adopt a resolution increasing monthly rental tie-down rates 78 percent to $125 and monthly hangar rental rates between 19 percent to 50 percent at the Oceanside Municipal Airport to provide sufficient funds to cover operating expense shortfalls.

BACKGROUND

The majority of the Oceanside Municipal Airport operating funds are derived from hangar and tie-down rents. As a matter of routine business, enterprise funded endeavors such as the Airport are expected to operate without General Fund support. The Airport will not meet that expectation this fiscal year and projects an operating budget shortfall of approximately $80,000 for FY 2006-07. Proposed FY 2006-07 revenues are $375,000.

ANALYSIS

The proposed budget for FY 2006-07 is $455,000. The budget includes $126,000 in personnel cost, $79,000 for the repayment of the State hangar loan, $12,000 for electrical, $85,000 in general administration allocations and $125,000 for aviation fuel. The remaining $28,000 is for the operation and maintenance of the airport.

As part of the settlement agreement with the Oceanside Citizens Against the Airport, the City agreed to maintain a City presence at the airport during daylight hours seven days a week. The budget accounts for one full-time and two part-time employees at the airport and a minimum of additional staff time to provide the supervision and administrative support required to operate the airport. The repayment of the State hangar loan is a required funding item. The airport is required to operate the landing lights and warning light system which requires the majority of the electrical funds budgeted. The general administration allocation is the airport's fair share of the City's in lieu of tax, insurance, information services and general administration cost and is charged to the airport budget as a straight percentage of the budget. The $125,000 for aviation fuel will be used to purchase fuel for resale. The $28,000 for operation and maintenance is the only discretionary funds remaining in the budget.

The demolition of the dilapidated row of hangars has reduced the number of rentable old hangars to 23. These hangars are expected to generate $103,000 in revenue at their current rents. The 11 new hangars will generate $80,000 in revenue and tie-downs are expected to generate $34,000 for the fiscal year. Fuel sales are estimated at $150,000 with miscellaneous income anticipated to be $8,000. At current rates, the estimated total fiscal year revenue is $375,000 which will leave a budget shortfall of $80,000.

At the present time staff feels there are only two options available, either fund the shortfall from the City's Unallocated General Fund Reserve or raise the rental rates at the airport.

The hangar and tie-down rental rates have remained fixed since the Council approved a uniform hangar rental rate of $400 per month and a tie-down monthly rate of $70 per month in February 2004. Rental rates for the new hangars are a low of $510 per month for the smallest hangars up to $740 per month for the largest hangars. Implementation of the resolution effective August 1, 2006 will result in an additional $81,500 in revenues for FY 2006-07.

To cover the projected budget shortfall through rent increases, staff recommends the following rental rate adjustments:

	Current Rent	New Rent	Increase	Yearly Increase
Tie-Downs				
Currently 41	$70.00			
Proposed 47		$125.00	$ 55.00 - 78%	$30,360.00
New Hangars				
C-1, D-2	$740.00	$990.00	$250.00 - 34%	$6,000.00
C-3, D-5	$640.00	$860.00	$220.00 - 34%	$5,280.00
C-2, C-6, D-1 D-6	$595.00	$800.00	$205.00 - 34%	$9,840.00
C-4, D-3, D-4	$510.00	$685.00	$175.00 - 34%	$6,300.00
Old Hangars				
1-3	$400.00	$600.00	$200.00 - 50%	$7,200.00
4-6	$400.00	$550.00	$150.00 - 38%	$5,400.00
7-9, 11-18 & 21-23	$400.00	$500.00	$100.00 - 25%	$16,800.00
19 & 20	$400.00	$475.00	$ 75.00 - 19%	$1,800.00
			Total Hangar Rent Increase	$58,620.00
			Total Rent Increase	$88,980.00

These proposed rent adjustments will allow for a minor vacancy rate while generating sufficient revenues to balance the airport budget without assistance from the Unallocated General Fund.

In conjunction with the rental adjustments, the City will exercise its option to terminate all existing hangar and tie-down agreements and execute new agreements containing the revised rent to be effective August 1, 2006.

FISCAL IMPACT

Use of Unallocated General Fund monies will require an adjustment to the proposed FY 2006-07 City budget.

Based on an effective date of August 1, 2006, the proposed rental rates would increase annual airport revenue by approximately $81,500 for FY 2006-07.

INSURANCE REQUIREMENTS

Does not apply.

COMMISSION OR COMMITTEE REPORT

The proposed items were presented to the Airport Sub-Committee as an information item at its May 24, 2006 meeting.

CITY ATTORNEY'S ANALYSIS

The referenced documents have been reviewed by the City Attorney and approved as to form.

RECOMMENDATION

Staff requests the City Council adopt a resolution increasing monthly rental tie-down rates 78 percent to $125 and monthly hangar rental rates between 19 percent to 50 percent at the Oceanside Municipal Airport to provide sufficient funds to cover operating expense shortfalls.

PREPARED BY:

Gary P. Gurley
Senior Property Agent

SUBMITTED BY:

Steven R. Jepsen
City Manager

REVIEWED BY:

Michelle Skaggs Lawrence, Assistant to the City Manager

Peter A. Weiss, Public Works Director

Douglas E. Eddow, Real Property Manager

RESOLUTION NO.

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF OCEANSIDE APPROVING RENT INCREASES AT THE OCEANSIDE MUNICIPAL AIRPORT

WHEREAS, the City of Oceanside is the owner and operator of the Oceanside Municipal Airport, and as such is responsible for establishing rental rates at the airport;

WHEREAS, the Oceanside Municipal Airport operates as an enterprise fund and as such, is expected to be financially self-sufficient;

WHEREAS, the majority of the Oceanside Municipal Airport operating funds are derived from hangar and tie-down rentals; and

WHEREAS, hangar and tie-down rental rates require adjustment to provide sufficient funds to meet operating expenses.

NOW, THEREFORE, the City Council of the City of Oceanside does resolve as follows:

SECTION 1. The tie-down rental rate at the Oceanside Municipal Airport shall be adjusted to $125.00 per month effective August 1, 2006.

SECTION 2. The hangar per month rental rates shall be adjusted effective August 1, 2006 as follows:

New Hangars:

C-1, D-2	$990.00
C-3, D-5	$860.00
C-2, C-6, D-1, D-6	$800.00
C-4, D-3, D-4	$685.00

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Old Hangars:

1 - 3	$600.00
4 – 6	$550.00
7 – 9, 11- 18 and 21 - 23	$500.00
19 and 20	$475.00

PASSED AND ADOPTED by the City Council of the City of Oceanside, California, this _____day of _____, 2006, by the following vote:

AYES:

NAYS:

ABSENT:

ABSTAIN:

_____
MAYOR OF THE CITY OF OCEANSIDE

ATTEST:

_____
City Clerk

APPROVED AS TO FORM:

_____
City Attorney