



Fees and Charges Report

Date: April 7, 2025

To: Audit, Finance, and Enterprise Committee

Through: Candace Cannistraro, Deputy City Manager

From: Corinne Nystrom, A.A.E., Airport Director
Sara Mercado, Fiscal Analyst

Subject: Falcon Field Airport Department Update to Schedule of Fees and Charges, Citywide

Purpose and Recommendation

The Falcon Field Department is proposing modifications to Falcon Field Airport's Schedule of Fees and Charges for Fiscal Year (FY) 2025/26. If the proposed changes are approved by City Council, the fees and charges will be effective August 1, 2025.

Background

Falcon Field Airport (Airport) continues to be one of the most vibrant and active general aviation airports in the United States. In addition to being an economic hub for 146 airport-based businesses which employ over 1,400 people, the City also owns and rents 411 aircraft storage hangars, 117 covered aircraft storage tie downs, 297 open aircraft storage tie downs, and 74 aeronautical storage rooms.

Although the Airport is eligible to receive federal and state grant funding for essential airfield capital improvements, it must rely on the revenues that are collected from airport tenants and users to pay for all maintenance, repair, and operations expenses, as well as its local share for grant-funded projects and all non-grant-funded capital improvement projects. The Airport is one of the few airports in the United States that is financially self-sustaining. It does not receive any funding from the City's General Fund to operate or construct capital improvements.

Discussion

While the Airport generates operating revenue from several sources, the two (2) largest revenue sources are rents collected on long-term ground leases and rents collected on the City-owned aircraft storage hangars, tie downs, and storage rooms. The ground lease rentals have rate adjustments included in the Master Tenant Lease agreement, and the increases are determined by Consumer Price Index for All Urban Consumers (CPI-U). Historically, the City-owned hangar, tie down, and storage room rental rates have been based solely on a market comparison with other general aviation airports in the Phoenix area. However, this comparison includes airports that receive supplemental funds from their municipalities. For this reason, these airports are able to charge less for their City-owned hangars and tie downs than what the market is likely willing to pay. Assurances made by the City to the Federal Aviation Administration (FAA) when federal grants are

given to airports require them to be as financially self-sustaining as possible.

Over the past few years, inflation has outpaced the annual rental rate increases that have been approved and implemented for the Airport. For example, capital improvement construction costs and airport pavement maintenance costs have more than doubled. While the signing of more ground leases has helped to absorb some of these increased costs, it isn't enough.

The Airport is recommending the following Fees and Charges changes:

- 1) In 2024, the Airport team researched the annual cost to operate and maintain the City-owned hangars. The data showed that the current rental rates for the hangars are sufficient to cover most of the costs to operate and maintain the actual hangars. However, the rental rates do not generate enough revenue to maintain the aircraft pavement between the rows of hangars that aircraft use to access the non-exclusive taxiways and runways. Currently, revenue generated from the long-term ground leases is subsidizing the cost of maintaining this pavement.

It is essential to maintain the pavement between the hangar rows in a condition that is safe for aircraft to operate. In an effort to begin making the newly identified hangar cost center more financially self-sustaining and less reliant on ground lease revenue, the Airport is recommending an 8% increase in hangar and storage room rent. Similarly, additional revenue is needed to maintain the pavement around the City-owned covered and open tie down spaces. Therefore, an 8% tie down rent increase is also recommended.

- 2) Increase the Hangar Transfer fee to help cover the administrative and cleaning costs that are incurred when an existing hangar tenant asks to re-locate to another hangar that has been recently vacated.
- 3) Implement a new Storage Room Transfer fee to help cover the administrative and cleaning costs that are incurred when an existing storage room tenant asks to relocate to another storage room that is vacant.
- 4) Implement a new Tie Down Transfer fee to help cover the administrative cost that is incurred when an existing covered or open tie down tenant asks to re-locate to another covered or open tie down that has been recently vacated.
- 5) Change the existing Hangar Cleaning Deposit and Storage Room Cleaning Deposit to Hangar Security Deposit and Storage Room Security Deposit, respectively. The Security Deposit will be fully refunded to tenants when their Hangar Storage Agreement or Storage Room Agreement is terminated under the following conditions: 1) the hangar/storage room is clean and in the same condition as when the tenant first occupied it, normal wear and tear excepted and 2) the tenant has fully paid all rent amounts owed to the City prior to termination. The Security Deposit fee is being lowered for the large t-hangars and small and large executive hangars to more accurately reflect the actual cost that the Airport incurs to clean the hangar if the tenant does not clean it before it is vacated. Similarly, the Storage Room Security Deposit fee is increasing slightly to more accurately reflect the cost that the Airport incurs to clean the storage room if the tenant does not clean it before it is vacated.

- 6) Combine the Waiting List/Security Deposit and Waiting List Application Fee into one fee called a Facility Application Fee. This fee is non-refundable and will be collected when an individual applies to rent a City-owned tie down, hangar, or storage room. The fee amounts will be standardized in one hundred dollar increments rather than being tied to a specific facility monthly rental rate. The Facility Application Fee is charged to help cover the administrative cost of placing individuals on facility waitlists and then placing them into a facility when one becomes available for them to rent.
- 7) Increase the fee for additional City-controlled gate access cards for ground lease tenants and for replacement of misplaced access control cards for any access card holder. Ground lease tenants are currently given two (2) cards at no cost to them if they need airfield access. If they are a business and request more cards for their employees, there is a cost for each card to help ensure that cards are only issued to employees who require access to the airfield to perform their jobs. The fee for the cards also helps cover administrative costs incurred to issue cards, monitor, and audit the gate access card program.
- 8) Increase the Lease Document Transaction Fee that is charged to ground lease tenants to help cover the administrative costs of preparing and executing ground lease assignments, amendments, and terminations that tenants request.

Methodology

As in previous years, the Airport's fees and charges were benchmarked against the fees and charges of other general aviation airports in the Phoenix area. Additionally, in 2024, the annual cost of maintaining, repairing, and operating the City-owned hangars was calculated based on FY 2023/24 costs. The cost of continuing to maintain the pavement between the rows of hangars in a safe and operational condition was also calculated. Currently, revenue generated from the long-term ground leases is subsidizing the cost to maintain the pavement used exclusively by the City-owned hangar and tie down tenants.

The proposed FY 2025/26 fee increases for City-owned hangar and tie down rent will be used to bring some of the pavement that is used exclusively by the hangar and tie down tenants to the Pavement Condition Index (PCI) that is needed to prevent the pavement from deteriorating to the point where complete re-construction is required. To achieve an acceptable PCI for all the pavement used exclusively by hangar and tie down tenants will require similar fee increases over the next 3-5 years.

Alternatives

The alternative would be to leave the current fees in place and not reflect any adjustments. However, if this occurs, the ability to continue to maintain the condition of aircraft pavements will decline to a point where it will be necessary to: 1) prohibit aircraft use of some of the pavement areas until Airport Enterprise Funds become available to re-construct it, or 2) transfer funds from the City General Fund to re-construct the pavement. Unfortunately, ongoing pavement maintenance is not eligible for federal or state grant funding.

Fiscal Impact

The estimated annual fiscal impact of these proposed fee adjustments is \$160,819.

Coordinated With

The Airport coordinated with City Engineering and Finance to gather the data to estimate the annual cost of maintaining, repairing and operating the City-owned hangars and pavement located between the hangar rows. The Airport worked with the Office of Management and Budget on the recommendations for adjustments to the Airport's Schedule of Fees and Charges.

Fees & Charges Schedule – Key

Heading Configuration

<u>Schedule of Fees & Charges</u>
Department
Contact Information
HEADING 1
HEADING 2
<i>Heading 3</i>
Description of Fee
Description of Fee 2

Font Indications

Font	Font Indications
Regular Font	Existing fee or language
Strikethrough	Fee or language will be deleted from the Fee Schedule
BOLD CAPS	Language is being added to Fee Schedule
Bold	New or increased Fee Amount

Schedule of Fees & Charges

Exhibit A – Falcon Field

Department: Falcon Field Airport

Description of Service	Current Fee Range	Proposed Fee Range	Unit	Total Fiscal Impact	Notes
<i>Tie Downs</i>					
Small Single Engine Aircraft	\$51.00	\$55.00	Month	\$7,802.00	Increased Fee
Small Twin Engine Aircraft	\$68.00	\$74.00	Month	\$704.00	Increased Fee
Large Propeller Aircraft (>12,500 lbs. MCTW)	\$138.00	\$149.00	Month	\$132.00	Increased Fee
Jet Aircraft	\$138.00	\$149.00	Month	\$0	Increased Fee
Helicopter	\$138.00	\$149.00	Month	\$0	Increased Fee
Covered Tie Downs	\$140.00	\$151.00	Month	\$13,557.00	Increased Fee
TIE DOWN TRANSFER FEE		\$50.00	PER TRANSFER	\$50.00	New Fee
<i>Hangers HANGARS</i>					
Regular T-Hangar	\$285.00	\$308.00	Month	\$91,555.00	Updated spelling Increased Fee
Large T-Hangar	\$430.00	\$465.00	Month	\$14,935.00	Increased Fee
Small Executive Hangar	\$670.00	\$724.00	Month	\$3,846.00	Increased Fee
Large Executive Hangar	\$1,355.00	\$1,464.00	Month	\$4,041.00	Increased Fee
Hangar Transfer Fee	\$250.00		Per Transfer	\$0.00	Make this a header (removed fees)
TO A REGULAR T-HANGAR		\$300.00	PER TRANSFER	\$50.00	New fees that depend on the size of the hangar one is transferring into
TO A LARGE T-HANGAR		\$350.00	PER TRANSFER	\$100.00	New fees that depend on the size of the hangar one is transferring into

Description of Service	Current Fee Range	Proposed Fee Range	Unit	Total Fiscal Impact	Notes
TO A SMALL EXECUTIVE HANGAR		\$400.00	PER TRANSFER	\$150.00	New fees that depend on the size of the hangar one is transferring into
TO A LARGE EXECUTIVE HANGAR		\$450.00	PER TRANSFER	\$200.00	New fees that depend on the size of the hangar one is transferring into
Hangar Cleaning SECURITY Deposit (fully MAY BE refundable if clean)	\$300.00		Per Hangar		Update verbiage and make this a header (remove fees)
REGULAR T-HANGAR		\$300.00	HANGAR	\$0	New fees that depend on the size of the hangar
LARGE T-HANGAR		\$350.00	HANGAR	\$50.00	New fees that depend on the size of the hangar
SMALL EXECUTIVE HANGAR		\$400.00	HANGAR	\$100.00	New fees that depend on the size of the hangar
LARGE EXECUTIVE HANGAR		\$450.00	HANGAR	\$150.00	New fees that depend on the size of the hangar
<i>Storage Rooms</i>					
Small	\$79.00	\$86.00	Month	\$4,792.00	Increased Fee
Storage Room Cleaning Deposit (fully refundable if clean)	\$79.00		Each		Moved under Storage Room Security Deposit
Large	\$189.00	\$204.00	Month	\$632.00	Increased Fee
Storage Room Cleaning Deposit (fully refundable if clean)	\$189.00		Each		Moved under Storage Room Security Deposit
STORAGE ROOM SECURITY DEPOSIT (MAY BE REFUNDABLE)					Add new header
SMALL	\$79.00	\$100.00	Each	\$21.00	Increased Fee, moved from above
LARGE	\$189.00	\$200.00	Each	\$11.00	Increased Fee, moved from above
STORAGE ROOM TRANSFER FEE		\$100.00	PER TRANSFER	\$100.00	New Fee

Description of Service	Current Fee Range	Proposed Fee Range	Unit	Total Fiscal Impact	Notes
Waiting List/Security Deposit (equal to one month's current monthly rent) FACILITY APPLICATION FEE					
Open Tie Down Small Single Engine Aircraft	\$51.00	\$100.00	Tie down	\$660.00	Updated from a deposit to a fee
Open Tie Down Small Twin Engine Aircraft	\$68.00	\$100.00	Tie down	\$660.00	Updated from a deposit to a fee
Open Tie Down Large Propeller Aircraft (>12,500 lbs. MCTW)	\$138.00	\$100.00	Tie down	\$660.00	Updated from a deposit to a fee
Open Tie Down Jet Aircraft	\$138.00	\$100.00	Tie down	\$660.00	Updated from a deposit to a fee
Open Tie Down Helicopter	\$138.00	\$100.00	Tie down	\$660.00	Updated from a deposit to a fee
Covered Tie Down	\$140.00	\$100.00	Tie down	\$3,900.00	Updated from a deposit to a fee
Regular T-Hangar	\$285.00	\$200.00	T-Hangar	\$6,400.00	Updated from a deposit to a fee
Large T-Hangar	\$430.00	\$200.00	T-Hangar	\$1,600.00	Updated from a deposit to a fee
Small Executive Hangar	\$670.00	\$300.00	Hangar	\$300.00	Updated from a deposit to a fee
Large Executive Hangar	\$1,355.00	\$300.00	Hangar	\$300.00	Updated from a deposit to a fee
Small Storage Room	\$79.00	\$100.00	Room	\$300.00	Updated from a deposit to a fee
Large Storage Room	\$189.00	\$100.00	Room	\$0	Updated from a deposit to a fee
Waiting List Application Fee (non-refundable)	\$50.00		Each		Removed fee; addressed by the Facility Application Fee
<i>Access Control Card</i>					
Additional or Replacement Access Control Card	\$52.00	\$75.00	Each	\$877.00	Increased Fee
<i>Lease Document Transaction Fee</i>	\$270.00	\$300.00	EACH	\$864.00	Increased Fee

Estimated Total Annual Fiscal Impact: \$160,819.00