Metropolitan Airports Commission
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DATE: July 10, 2024

TO: Reliever Airport Users

FROM: Kelly Gerads, Assistant Director, Reliever Airports

SUBJECT: Proposed Reliever Airports Fuel Flowage and Landing Fees

Ordinance Process

MAC staff is in the process of evaluating a draft ordinance to amend rates and charges assessed to users of MAC's Reliever Airports, and some general aviation users of Minneapolis-St. Paul International Airport. The proposed ordinance will repeal and replace MAC Ordinance 119 and amend MAC Ordinance 115, otherwise known as the Reliever Airports Rates & Charges Ordinance and the Airfield Use & Terminal 2-Humphrey Ordinance, respectively.

Rate-Setting Goals

In this rate setting exercise, MAC has three primary objectives: (1) To establish a rates and charges structure that supports the Reliever Airports system, allowing this system to be as self-sustaining as possible under the circumstances; (2) To ensure that the rates and charges structure complies with federal and state law regarding rate setting, as well as federal policy and MAC's Grant Assurances; and (3) To retain a balanced and reasonable structure of rates and charges within MAC's general aviation system. In accord with this last objective, MAC has engaged several lines of inquiry to justify its proposed structure of rates and charges.

Initial Recommendation to Increase Fuel Flowage Fees

The first inquiry conducted by MAC was to hire a consultant to provide advice on Reliever Airport rates and charges. The consultant was asked to assess ground rental rates, fuel flowage fees, the annual escalators, and suggest ways to support capital infrastructure development. Based on the consultant's scope, the consultant recommended a rate structure that would increase commercial ground rental rates and fuel flowage fees. At the same time, he found that the currently-applied annual escalator on the fee was reasonable.

The consultant's suggestion with respect to the increase in fuel-flowage fees noted that, because fuel-flowage fees are paid upon fuel consumed by based and transient airport users alike, this fee can be a mechanism for supporting capital infrastructure at the Reliever Airports that is connected to a wider base of airport users than ground rental rates. Moreover, fuel-flowage fees have historically been a preferred method to recover costs as they are easily administered in a cost-effective manner, as fuel providers have supply invoices from which the fee can be calculated.

As initially presented to tenants in informational meetings, MAC's initial plan for the draft ordinance was to follow the consultant's recommendation with respect to increasing fuel flowage fees at the Reliever Airports. However, in informational meetings with Commercial Tenants, another proposal materialized that could achieve the same goal of generating revenue from transient, as well as based operations, while decreasing the financial impact to providers of fuel at the Reliever Airports. This proposal would be to adjust landing fees paid by Jet-A aircraft landing at the three primary Reliever Airports. An increase in these fees would expand revenue-capture from users who might not purchase fuel in the Reliever system and transient operators. Moreover, the landing fees are collected by FBOs at the Reliever Airports as a pure "pass through" fee and are not additional fees assessed on a product provided by the FBOs to customers.

Current Recommendation to Increase Landing Fees, Rather than Fuel Flowage Fees

In line with these discussions, MAC is recommending in the current draft ordinance that fuel flowage fees not be raised at the Reliever Airports from the current rates assessed under Ordinance 119. MAC is still recommending that fuel flowage fees assessed to FBOs at the Minneapolis-St. Paul International Airport be adjusted upwards (starting at $0.22 per gallon in 2025), to closer align with the fee assessed for AvGas at all Reliever Airports and Jet A at the secondary Reliever Airports. This fee will be higher than that rate proposed for Jet A at MAC’s primary Reliever airports (proposed to remain at $0.16 per gallon for 2025). MAC believes this distinction in rates is justified given the level of infrastructure and service available at the Minneapolis-St. Paul International Airport and is also a reasonable means of meeting our statutory obligation to encourage the maximum diversion of general aviation operations from Minneapolis-St. Paul International Airport to the Reliever Airports.

Instead, MAC is recommending an increase in the landing fees assessed for landing Jet-A aircraft at St. Paul Downtown Airport, Flying Cloud Airport, and Anoka County-Blaine Airport. The proposal is to increase landing fees to 110% of the MSP signatory fee at St. Paul Downtown Airport, 105% of the MSP signatory fee at Flying Cloud Airport and 100% of the MSP signatory fee at Anoka County-Blaine Airport. This is an adjustment from the current fees assessed at: 100% of the MSP signatory fee at St. Paul Downtown Airport and 90% of the MSP signatory fee at Flying Cloud Airport and Anoka County-Blaine Airport.

The historical rate-setting methodology used to set these fees is not proposed to change. The fee will still be assessed to only Jet-A aircraft, and the rates will be indexed to the per-1,000 lb. rate paid by signatory airlines landing at MSP, which is adjusted with MAC's annual budget. The current 2024 budgeted rate is $4.54 per 1,000 lbs. As has historically been the case, landing fees contribute to support of capital infrastructure investments at the Reliever Airports. At MAC's three primary Reliever Airports, historical and planned capital infrastructure investments primarily benefit operators of Jet-A aircraft to such an extent that MAC still considers it equitable to charge landing fees to only these operators at these three airports. Additionally, the MSP signatory rate is re-evaluated annually taking into account MSP airfield costs that provide a reasonable metric from which to ascertain analogous changes in airfield costs at the Reliever Airports.

While the landing fees paid by Jet-A aircraft at the Reliever Airports will exceed those paid by MSP signatory carriers, MAC does not believe that these increases will undermine efforts to encourage the maximum diversion of general aviation operations from Minneapolis-St. Paul International Airport to the Reliever Airports. Per Ordinance 115, general aviation flights at Minneapolis-St. Paul International Airport pay a non-signatory landing fee rate that is 125% of the signatory rate (currently, this rate is $5.68 per 1,000lbs). Hence, the landing fees paid at the primary Reliever Airports will remain below the rate that similar operations would pay for landing at Minneapolis-St. Paul International Airport.

As in past structures, the varied percentages paid at the three primary Reliever Airports are based on the differences in infrastructure and operating costs between these airports. Since MAC's last rate-setting exercise, differences in the operational profiles of Flying Cloud Airport and Anoka-County Blaine Airport have increased (e.g., numbers of operations, service levels, and costs of operation). These changes justify now differentiating between the rates paid at these two airports.

Financial Analysis

A financial analysis supports the move from increased fuel flowage to increased landing fees and aligns with the project’s goal of targeted capital coverage. When analyzing MAC’s first proposal to increase fuel flowage fees, MAC projected that the change would result in an average 10.6% average Reliever Airport capital coverage. The new proposal provides a 9.4% capital coverage, which continues to align with the project's goal of targeted capital coverage within a range of 9% to 10%. Additionally, based on a comparatiave analysis of three common operations occuring at the primary Reliever Airports under the original proposal and under the current proposal, it is estimated that transient operators will save 5% to 8% in fees under the current proposal, and based operators will realize a savings of around 11% to 14% under the current proposal.