



## Metropolitan Airports Commission

6040 - 28th Avenue South, Minneapolis, MN 55450 • 612-726-8100 • metroairports.org

June 18, 2024

Re: Proposed Modifications to MAC Ordinance No. 115 and No. 119 - Rates and Charges for Reliever Airports

Dear Tenant:

In April, the Commission approved Staff to proceed with a public hearing process to repeal and replace Ordinance No. 119 and to amend Ordinance No. 115. Two informational meetings were held on May 22 to present the proposed changes and gather input. The public hearing regarding the ordinance changes is scheduled for 6:00 pm on July 15 in the Legends Room at the MAC General Offices, 6040 28<sup>th</sup> Ave So, Minneapolis, MN 55450. The hearing notice is attached to this mailing.

Reliever Airport Aircraft Storage and Commercial tenant rent is governed by Metropolitan Airports Commission (MAC) Ordinance No. 119. Ordinance No. 119 addresses ground rent, percentage rent, fuel flowage fees, landing fees, and administration fees. In addition, among other things, Ordinance No. 115 regulates the fuel flowage fee paid by FBOs at MSP. The last modification to Ordinance No. 115 was in 2012 and No. 119 was in 2014. In the fall of 2023, Staff began a review of MAC's general aviation rates and charges' structure.

An early step in the review process included establishing the following objectives to help guide this work:

- Establishing a rates and charges structure that supports the Reliever Airports system, allowing this system to be as self-sustaining as possible under the circumstances;
- Ensuring 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;
- Retaining a balanced and reasonable structure of rates and charges within MAC's general aviation system; and
- Establishing a capital investment coverage target.

Staff commissioned studies to evaluate ground rental rates, fuel flowage fees and annual escalators. The development of a rate structure, however, involves more than just the establishment of ground rent, fuel flowage fees and corresponding escalators. Several factors are considered, including the definition of the leased area, categories of tenants, airport infrastructure and services, recognition that the system exists in a major metropolitan area, legal requirements regarding rate setting and financial self-sustainability, demand for space and the MAC's purpose and funding.

Over the past few months, Staff had conversations with the Reliever Airport Advisory Council (RAAC), Aircraft Storage and Commercial tenants, and held the informational meetings to socialize the topic. These discussions and the rental analyses led Staff to propose updates to MAC's rates and charges for general aviation users of MAC's system of airports.

Following is an outline of the proposed changes to the ordinances:

### ***Aircraft Storage Tenants***

#### Ground Rent

Aircraft Storage Ground Rent currently escalates by approximately 3.33% annually. The recommendation is to adjust the ground rent downward over the next several years to reach the financial modeling target, and then apply a 3% annual escalator beginning in 2030.

#### Sublease License Fee

The Sublease License Fee is intended to collect a fee from Aircraft Storage tenants who sublease space within their hangar to other aircraft owners. However, administering this fee has proven to be difficult. The Staff recommendation is to eliminate the fee.

### ***Commercial Tenants***

#### Ground Rent

Based upon a survey of rents, an adjustment is recommended for commercial tenant Ground Rent. The Staff recommendation is to increase commercial Ground Rent to the study recommendation across the Reliever Airport system over three years, after which a 3% annual escalator will be applied, similar to Aircraft Storage tenants. To attain the study recommendation, the three-year annual per square foot increase would be \$0.002 to \$0.065 depending on the airport.

#### Adjustments of Monthly Reports

A provision is proposed that would allow Commercial Tenants to adjust any monthly report of gross revenue or fuel flowage 180 days after that report was *timely* submitted. Thus, if the report was made when due, and subsequent analysis discovers an error, Commercial Tenants can address the error, so long as they provide supporting documentation. This provision is also designed to encourage Commercial Tenants to report timely, even if there are outstanding questions regarding the application of an exclusion. If the report is submitted on-time, it can be adjusted if it is later found that an exclusion was applicable.

#### FBO Landing Fee Cost Recovery

Landing fees at the Reliever Airports for transient aircraft, and some based operations, are collected by FBOs on behalf of MAC. For those landing fees that are paid by credit card, there are processing fees associated with the transactions, the cost for which have been borne by the FBOs. A proposed provision would raise landing fees by 2%, and then create a process for MAC to annually reimburse FBOs for 2% of the landing fees collected to assist FBOs in recovering these costs.

### ***Fuel Flowage Fees***

There are currently three fuel flowage fees assessed in the Reliever system depending on the airport and fuel grade. The fees range from \$0.154 to \$0.211 per gallon. The staff recommendation is to increase the Jet A rate applicable to general aviation Jet A fuel at MSP to \$0.21 and for Jet A fuel at STP, FCM and ANE to \$0.18 per gallon in 2025. The fuel flowage fees at Airlake, Crystal and Lake Elmo would increase to \$0.21 per gallon in 2025. The annual escalator on fuel flowage fees will remain at 4%.

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**Waiting List Fees** would be eliminated, and **Administrative Fees** would be updated to reflect cost recovery for the respective transaction.

After the public hearing, the Staff will review and consider the feedback, make any adjustments to the draft ordinances, and then present them to the hearing officers. The hearing officers will then consider whether to recommend that the Commission adopt the modified ordinances.

All project-related correspondence, including the current draft ordinance, referenced rate studies, and financial modeling can be found at <http://bit.ly/3Jm8Mob> or by opening the QR code below. Additionally, materials for the public hearing, including the public hearing draft of the ordinance, will be posted to the site no later than **Wednesday, July 10, 2024**.

If you have any questions or comments, please contact me at 612-726-8142.

Sincerely,



Kelly Gerads  
Assistant Director,  
Reliever Airports

