



RESOLUTION NO. 2021-149

A RESOLUTION OF THE COUNCIL OF THE CITY OF FRESNO ADOPTING AN AIRLINE RATE SETTING POLICY FOR SCHEDULED AIR CARRIERS AT FRESNO YOSEMITE INTERNATIONAL AIRPORT AND AUTHORIZING THE DIRECTOR OF AVIATION TO ADMINISTRATIVELY ADJUST CERTAIN SPECIFIED AIRLINE RATES.

WHEREAS, the City of Fresno (City) is a municipal corporation and charter city duly organized and existing under and pursuant to the Constitution and laws of the State of California; and

WHEREAS, the City owns and operates the Fresno Yosemite International Airport (Airport); and

WHEREAS, in accordance with Fresno Municipal Code section 5-403, the City Council shall designate, in the Master Fee Schedule, the fees, fares, rates, and charges for service provided by the Fresno Yosemite International Airport; and

WHEREAS, the Airports Department (Department) manages the Airport, which is the only major commercial service airport in the Central San Joaquin Valley; and

WHEREAS, the Department has developed an Airline Rate Setting Policy for Scheduled Air Carriers at Airport (Policy) and submitted the Policy for Council consideration; and

WHEREAS, the Policy establishes the methodologies and formulas by which the Department will calculate the landing fees for Signatory and Non-Signatory commercial operations; the minimum landing fee per commercial operations of 10,000 pounds MCGLW or less; the terminal use fee; the terminal building rental rates; and the federal inspection station user fee; and

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Date Adopted: 06/10/2021  
Date Approved: 06/21/2021  
Effective Date: 06/21/2021

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WHEREAS, the Council has determined that the Policy complies with the Federal Aviation Administration's "Policy Regarding Airport Rates and Charges;" and

WHEREAS, the Council has determined that adoption of the Policy will ensure that the Airport's rates and charges comply with Federal Aviation Administration policies and will align the Airport with industry best practice, ensuring the Airport's long-term financial stability.

BE IT RESOLVED BY THE COUNCIL OF THE CITY OF FRESNO:

1. All of the above recitals are true and correct.
2. The Airline Rate Setting Policy for Scheduled Air Carriers at Fresno Yosemite International Airport (Policy) is hereby adopted. The Policy is attached to this Resolution as Exhibit A.
3. Effective July 1, 2021:
  - a. The Director of Aviation is authorized to annually calculate and administratively adjust the Airline Rates and Charges specified in Sections 2.1 through 2.7 of the attached Policy in accordance with the rate setting methodology and formulas established in the Policy.
  - b. Following annual consultation with the Airlines on the proposed rates calculated in accordance with Sections 2.1 through 2.7 of the Policy, the Director of Aviation may modify and finalize the Airline Rates and Charges, without further approval from Council, if the variance between the calculated rate and the adjusted rate does not exceed a ten percent threshold. All proposed adjustments exceeding this threshold must be submitted to Council for approval.



- c. The Director of Aviation may administratively perform a mid-year Landing Fee Rate adjustment without further action by Council if the estimated actual Landed Weight is between ninety-five and ninety percent of budgeted Landed Weight. If estimated actual Landed Weight is less than ninety percent of budget Landed weight, the Director shall submit the proposed mid-year adjustment to Council for approval.
- d. The Director of Aviation may administratively perform a mid-year FIS Fee adjustment without further action by Council if the estimated actual Annual International Deplaning Passengers are between ninety and eighty percent of budget passengers. If estimated actual Annual International Passengers are less than eighty percent of budget passengers, the Director shall submit the proposed mid-year adjustment to Council for approval.
- e. Adoption or adjustment of any rate, charge, or fee not addressed in the Policy shall be submitted to Council for approval.
- f. Any modification to the attached Policy and the methodologies and formulas established therein must be approved by Council.

Attachment –  
Exhibit A: Airline Rate Setting Policy for Scheduled Air Carriers Fresno Yosemite International Airport

\* \* \* \* \*



STATE OF CALIFORNIA )  
COUNTY OF FRESNO ) ss.  
CITY OF FRESNO )

I, BRIANA PARRA, Interim City Clerk of the City of Fresno, certify that the foregoing resolution was adopted by the Council of the City of Fresno, at a regular meeting held on the 10<sup>th</sup> day of June, 2021.

AYES :Arias, Bredefeld, Esparza, Karbassi, Maxwell, Soria, Chavez  
NOES :None  
ABSENT :None  
ABSTAIN :None

Mayor Approval: June 21<sup>st</sup>, 2021  
Mayor Approval/No Return: N/A, 2021  
Mayor Veto: N/A, 2021  
Council Override Veto: N/A, 2021

BRIANA PARRA, CMC  
Interim City Clerk

BY: Briana Parra 6/29/2021  
Deputy Date

APPROVED AS TO FORM:  
DOUGLAS T. SLOAN  
City Attorney

By Jennifer M. Quintanilla 6/29/21  
Senior Deputy City Attorney Date



**FRESNO YOSEMITE**  
International Airport



## **Airline Rate Setting Policy for Scheduled Air Carriers Fresno Yosemite International Airport**

The City of Fresno (City) Airports Department (Department) manages Fresno Yosemite International Airport (Airport), the only major commercial service airport in the central San Joaquin Valley.

In response to airline requests for transparent business arrangements, the Airport's growth since the Great Recession, and its faster-than-industry-average recovery from the COVID-19 pandemic, the Department wishes to align its airline pricing framework with industry practice, and to adopt a formal rate setting policy (Policy) that details the methodologies used to calculate annual rates and charges for scheduled air carriers (Airlines).

The Policy adheres to:

- The Federal Aviation Administration's (FAA) *Policy Regarding Airport Rates and Charges*, and
- Standard industry rate setting practices and methods, widely accepted by the airlines, including requirements that rates be reasonable and applied in a non-discriminatory manner.

The Policy applies to three airline cost centers, stated below and defined in Section 1, which the Department uses for rate setting, accounting, and general management purposes:

1. Airfield Area,
2. Terminal Building, and
3. Federal Inspection Station (FIS) facility.

Capital and operating costs allocable to each airline cost center are as follows:

1. Operating expenses, including repair and maintenance costs paid out of capital funds;
2. Debt service and rolling coverage (in FY 2024);
3. Historical depreciation of internal cash invested prior to FY 2021, recovered over a useful life with no interest cost;
4. Projected future amortization over a useful life at an estimated 3.45% interest rate; and
5. Deposit to the Operating Reserve Fund, and other fund requirements, as required by the Indenture of Trust.

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The methods applied to costs allocated to airline cost centers to calculate Airline Rates & Charges are presented in Section 2. The general purpose of these methods is to recover costs and generate annual airline revenue sufficient to achieve an adequate debt service coverage ratio.

**Section 1 – Definitions.** Capitalized terms in this Policy shall have the meaning provided in this section.

- 1.1 **“Airfield Area”** shall mean those portions of the Airport, including the terminal apron and the cargo apron, provided for the landing, taking off, and taxiing of aircraft, including without limitation approach and turning zones, clear zones, avigation or other easements, runways, a fully integrated taxiway system, runway and taxiway lights, and other appurtenances related to the aeronautical use of the Airport, including any airfield property purchased for noise or other environmental mitigation purposes, as may be modified, renovated, or enlarged.
- 1.2 **“Airline”** shall mean a legal entity certified by the United States Department of Transportation as either a passenger or cargo carrier that operates at the Airport.
- 1.3 **“Airline Operations Agreement”** or **“AOA”** shall mean the Airline Operating Agreement executed by the City and scheduled air carriers.
- 1.4 **“Airline Rates and Charges”** shall mean rates and charges established pursuant to Sections 2.1 through 2.7 of this Policy.
- 1.5 **“Airport”** shall mean the Fresno Yosemite International Airport (FAT), as it currently exists or hereafter may be modified.
- 1.6 **“Amortization Charge”** shall mean, with respect to a capital project (or asset) paid for with airport cash (as opposed to Grants or Bonds), an annual amount based on the useful life of the project and the Airport’s cost of capital.
- 1.7 **“Annual International Deplaning Passengers”** shall mean passengers using the Federal Inspection Station Facility.
- 1.8 **“Annual True-up”** shall mean the recalculation of Airline Rates and Charges of a Fiscal Year after the end of such Fiscal Year based on actual results.
- 1.9 **“Bond”** or **“Bonds”** shall mean all bonds or bonds, as the case may be, authenticated and delivered under and pursuant to the Indenture of Trust.
- 1.10 **“Cost Centers”** shall mean the areas (and functional activities associated with such areas) used in accounting to aggregate costs for the purposes of calculating Airline Rates and Charges, including Airfield Area, Terminal Building, and the Federal Inspection Station (FIS) facility.
- 1.11 **“Council”** shall mean Fresno City Council

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- 1.12 **"Customer Facility Charges"** or **"CFC"** shall mean the fees authorized by Calif. Government Code §§ 50474.1, 50474.21, and 50474.3 for rental car transactions, as such statutes currently exist or may be amended.
- 1.13 **"Debt Service"** shall mean as of any date of calculation, with respect to any period and with respect to the Bonds of any Series, an amount equal to the sum of (i) interest accruing during such period on the Outstanding Bonds of such Series, and (ii) that portion of each Principal Installment for the Outstanding Bonds of such Series which would accrue during such period if each such Principal Installment were deemed to accrue daily in equal amounts from the next preceding Principal Installment due date for such Bonds (or, if there shall be no such preceding Principal Installment due date, from a date one year preceding the due date of such Principal Installment or from the date of issuance of the Bonds of such Series, whichever date is later). Such interest and Principal Installments for the Outstanding Bonds of such Series shall be calculated on the assumption that no Bonds of such Series Outstanding at the date of calculation shall cease to be Outstanding except by reason of the payment of each Principal Installment on the due date thereof.
- 1.14 **"FIS Facility"** or **"FIS"** shall mean the Federal Inspection Station facility, as may be modified, renovated, enlarged, and/or replaced.
- 1.15 **"Fiscal Year"** or **"FY"** refers to the City's fiscal year and shall mean the twelve-month period commencing July 1 and extending through June 30 of the following calendar year, or such other fiscal year as the City may establish by ordinance.
- 1.16 **"Indenture of Trust"** shall mean the Indenture of Trust dated June 15, 2000 by and between the City of Fresno and BNY Western Trust Company as Trustee, as amended and supplemented, relating to City of Fresno Airport Revenue Bonds.
- 1.17 **"Landed Weight"** shall mean the highest maximum gross certificated landing weight for the aircraft model operated at the Airport by carrier as listed in the manufacturer's Characteristics or Planning Manual. Landed Weight shall be expressed in thousand-pound units.
- 1.18 **"Leased Premises"** shall mean Terminal Building space occupied by the Airlines on an exclusive or common use basis.
- 1.19 **"Master Fee Schedule"** or **"MFS"** refers to the City of Fresno Master Fee Schedule which is where the City records all fees and charges collected by the City. Fees calculated pursuant to this Policy shall be reflected in the Master Fee Schedule.
- 1.20 **"Minimum Landing Fee"** is the fee applied to commercial operations of 10,000 pounds or less.

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- 1.21 **"Non-Signatory Landed Weight"** shall mean Landed Weight associated with carriers that have opted to not execute the AOA.
- 1.22 **"Operating Expenses"** shall mean the reasonable and necessary costs of operating, maintaining, and administering the City Airports paid or accrued, including (among other things) salaries and wages, fees for services, costs of materials, supplies and fuel, reasonable expenses of management, repairs and other expenses necessary to maintain and preserve the City Airports in good repair and working order, reasonable amounts for administration, overhead, insurance, taxes (if any) and other similar costs, capital outlays to the extent budgeted by the City to be paid from the Operating Fund, the fees and expenses of the Fiduciaries, the regularly scheduled fees (but not the repayment of advances or the interest on advances) to be paid pursuant to any Reimbursement Agreement, expenses incurred in the connection with the purchase or redemption of Bonds (but not the purchase price or Redemption Price of such Bonds), the amounts required to be paid into the Rebate Fund, and all other costs (including overhead) properly allocable to the operation, maintenance or administration of the City Airports, but excluding in all cases depreciation and obsolescence charges or reserves therefor, amortization of intangibles or other bookkeeping entries of a similar nature, amortization and depreciation of Capital Improvements, charges for the payment of principal and interest on any Bonds or other obligations hereafter issued for City Airports purposes, and costs and expenses attributable to Special Facilities to the extent required to be paid by lessees pursuant to the terms of any Special Facility lease.
- 1.23 **"Operating Reserve Fund"** shall mean the Fund designated to hold the Operating Reserve Requirement.
- 1.24 **"Operating Reserve Requirement"** shall mean a balance equal to 20% of budgeted Operating Expenses that must be maintained at all times in the Operating Reserve Fund.
- 1.25 **"Other Buildings and Areas"** shall mean buildings and areas at the Airport that are not part of the Airfield Area, Terminal Building, or FIS Facility.
- 1.26 **"Passenger Facility Charge"** or **"PFC"** shall mean passenger facility charge authorized from time to time under the PFC Act or PFC Regulations
- 1.27 **"Rate Covenant"** shall mean Section 8.11 of the Indenture of Trust or hereafter as may be amended.
- 1.28 **"Rentable Space"** shall mean the areas in the Terminal Building that are rentable to the tenants, excluding public space, FIS space, as may be determined from time to time by the Department.

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- 1.29 **"Rolling Debt Service Coverage"** shall mean the 25 percent (25%) of the Debt Service for the Fiscal Year being calculated less 25 percent (25%) of the Debt Service for the prior Fiscal Year, plus similar coverage requirement for the Subordinated Indebtedness, if any.
- 1.30 **"Signatory Landed Weight"** shall mean Landed Weight associated with carriers that have executed an AOA.
- 1.31 **"Terminal Building"** shall mean the terminal complex area of the Airport, as may be modified, renovated, or enlarged.
- 1.32 **"Terminal Use Fee"** shall mean the fee applied to nonscheduled charter landings that use the Terminal Building.
- 1.33 **"Usable Space"** shall mean space in the Terminal Building determined by the Department that is either rentable by tenants or usable for public circulation pre- or post-security, which may be amended by the Department from time to time to reflect additions to or deletions of space, or other structural changes within the Terminal Building.

## **Section 2 – Calculation of Airline Rates and Charges**

- 2.1 **Calculation of Airfield Area Landing Fee Rate.** The Department shall calculate the estimated Airfield Area landing fee rate for the next Fiscal Year as shown in **Table 1** below:



**Table 1**

- A. Debt Service, net of PFC and CFC credits if any, plus
- B. Rolling Debt Service Coverage, plus
- C. Amortization Charge, plus
- D. Operating Expenses, plus
- E. Required deposits to the Operating Reserve Fund, if any, minus
- F. Applicable credits, plus or minus
- G. Adjustments due to Annual True-up, equals
- H. Net Requirements, divided by
- I. Signatory and Non Signatory Landed Weight, equals
- J. Landing Fee Rate, times
- K. Landed Weight, equals
- L. Landing Fees

As shown, a cost center residual method is applied to the Airfield Area to calculate Landing Fees. Nonairline credits reduce Airfield Area requirements, and the resulting net requirements are prorated over Landed Weight to derive a residual Landing Fee Rate.

**2.2 Calculation of Terminal Building Rental Rates.** The Department shall calculate the estimated Terminal Building rental rates for the next Fiscal Year as shown in **Table 2** below:

**Table 2**

- A. Debt Service, net of PFC credits, plus
- B. Rolling Debt Service Coverage, plus
- C. Amortization Charge, plus
- D. Operating Expenses, plus
- E. Required deposits to the Operating Reserve Fund, if any, minus
- F. Applicable credits,
- G. Divided by Usable Space, equals
- H. Terminal Rental Rate prior to adjustments, plus or minus
- I. Adjustments due to Annual True-up, equals
- J. Terminal Building Rental Rate, times
- K. Airline Leased Premises, equals
- L. Terminal rents

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As shown, a compensatory method is applied to the Terminal Building. Allocated operating and capital costs are prorated over Usable Space to derive an annual Terminal Building Rental Rate per square foot. Terminal rents are calculated by multiplying the Leased Premises by the rate.

**2.3 Calculation of Federal Inspection Station (FIS) Fee.** The Department shall calculate the FIS Fee for the next Fiscal Year as presented in **Table 3** below:

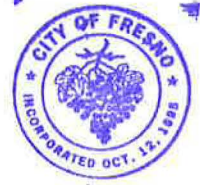
**Table 3**

- |  |
|--|
| <ul style="list-style-type: none"><li>A. Debt Service, net of PFC credits, plus</li><li>B. Rolling Debt Service Coverage, plus</li><li>C. Amortization Charge, plus</li><li>D. Operating Expenses, plus</li><li>E. Required deposits to the Operating Reserve Fund, plus or minus</li><li>F. Adjustments due to Annual True-up, divided by</li><li>M. Annual International Deplaning Passengers, equals</li><li>N. FIS Fee</li></ul> |
|--|

As shown, allocated operating and capital costs are prorated over international deplaning passengers to calculate the FIS Fee.

- 2.4** The FIS Fee calculated in Section 2.3 shall not exceed \$15.00 per deplaning international passenger.
- 2.5** Airline Rates and Charges calculated in Sections 2.1 and 2.2 shall be applied to the Signatory Airlines to the AOA. Airlines that do not execute the AOA (Non-Signatory Airlines) shall pay a twenty-five percent (25%) premium applied to the Landing Fee Rate and Terminal Building Rate.
- 2.6 Calculation of Terminal Use Fee:** The Terminal Use Fee shall equal the Non-Signatory Landing Fee rate calculated in accordance with Sections 2.1 and 2.5, times each 1,000 pounds unit of nonscheduled charter Landed Weight.
- 2.7 Calculation of Minimum Landing Fee:** The Minimum Landing Fee shall equal the Non-Signatory Landing Fee rate calculated in accordance with Sections 2.1 and 2.5, times ten one thousand pounds units.
- 2.8 Adjustment, Consultation, and Settlement.** Annually, the Department shall calculate and adjust the Airline Rates and Charges specified in Sections 2.1 through 2.7 in accordance with this Policy. Such calculations and adjustments will be based on the annual budget. The Department will provide a set of proposed Airline Rates and Charges to the Airlines prior to the beginning of each fiscal year.

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The Department will finalize the Airline Rates and Charges after consultation with the Airlines. Airline Rates and Charges calculated in Sections 2.1 through 2.7 may be modified in response to airline consultations. The finalized Airline Rate and Charges shall be reflected in the Master Fee Schedule.

If necessary, based on the actual landed weight and the actual annual international deplaning passengers, the Department may perform a mid-year Landing Fee Rate adjustment or a mid-year FIS Fee adjustment. All mid-year adjustments shall be reflected in the Master Fee Schedule.

After the end of each Fiscal Year, the Department will perform the Annual True-up and re-calculate Airline Rates and Charges based on actual results. The Department will determine the overpayment or underpayment and settle the true-up through the annual calculation and adjustment of Airport Rates and Charges, in accordance with Sections 2.1 through 2.7.

**Section 3 – Subordination to the Indenture of Trust.** In the event of any conflict between this document and the Indenture of Trust, the terms and conditions of the Indenture of Trust will control.

During any Fiscal Year, if the Department anticipates that the minimum annual debt service coverage ratio of 1.25 times may not be met, as required by the Rate Covenant, the Department will obtain Council approval to adjust Airlines Rates and Charges as necessary, including modifying Airfield Area credits in Section 2.1 item F, and using Rentable Space instead of Usable Space in Section 2.2 item G.

**Section 4 – Modifications.** The City may modify this Policy at any time. Modifications to this Policy will be submitted to the Council for consideration and will only be effective following adoption. Any modifications to this Policy will be published on the Department's website for at least thirty days following adoption. The City may also enter into future airline lease agreements that shall supersede this Policy through the term of such agreements.



June 11, 2021

Council Adoption: 06/10/2021

Mayor Approval:

Mayor Veto:

Override Request:

TO: MAYOR JERRY DYER

FROM:  YVONNE SPENCE, MMC, CRM  
City Clerk

SUBJECT: TRANSMITTAL OF COUNCIL ACTION FOR APPROVAL OR VETO

At the City Council meeting of June 10, 2021, Council adopted the attached Resolution No. 2021-149, entitled **\*\*\*RESOLUTION – Adopting an Airline Rate Setting Policy for Scheduled Air Carriers at Fresno Yosemite International Airport and Authorizing the Director of Aviation to administratively adjust certain specified airline rates (Subject to Mayor's Veto).** Item 1-C (1), File ID21-22624, by the following vote:

Ayes	:	Arias, Bredefeld, Esparza, Karbassi, Maxwell, Soria, Chavez
Noes	:	None
Absent	:	None
Abstain	:	None

Please indicate either your formal approval or veto by completing the following sections and executing and dating your action. Please file the completed memo with the Clerk's office on or before June 21, 2021. In computing the ten day period required by Charter, the first day has been excluded and the tenth day has been included unless the 10<sup>th</sup> day is a Saturday, Sunday, or holiday, in which case it has also been excluded. Failure to file this memo with the Clerk's office within the required time limit shall constitute approval of the ordinance, resolution or action, and it shall take effect without the Mayor's signed approval.

**APPROVED /** **NO RETURN:** \_\_\_\_\_

**VETOED** for the following reasons: (Written objections are required by Charter; attach additional sheets if necessary.)

\_\_\_\_\_

\_\_\_\_\_



Jerry Dyer, Mayor

**COUNCIL OVERRIDE ACTION:**

Ayes	:
Noes	:
Absent	:
Abstain	:

Date: 6/19/2021

Date: \_\_\_\_\_

RECEIVED  
2021 JUN 21 A 10:31  
CITY OF FRESNO  
CITY CLERK'S OFFICE