



CITY COUNCIL STAFF REPORT

DATE: May 2, 2012

CONSENT AGENDA

SUBJECT: APPROVE ADDING TO THE COMPREHENSIVE FEE SCHEDULE
A COMMERCIAL SERVICES FEE FOR AIRPORT BASED AIRLINE
SUPPORT BUSINESSES

FROM: David H. Ready, City Manager

BY: DEPARTMENT OF AVIATION

SUMMARY

This action will provide for the implementation of an Airport Commercial Services Fee to capture revenues from firms conducting aviation services business on Palms Springs International Airport.

RECOMMENDATION:

Adopt Resolution No. _____, "A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF PALM SPRINGS, CALIFORNIA, ESTABLISHING FEES FOR COMMERCIAL SERVICES AT PALM SPRINGS INTERNATIONAL AIRPORT AND MODIFYING THE COMPREHENSIVE FEE SCHEDULE ADOPTED BE RESOLUTION NO. 21578 AS AMENDED."

STAFF ANALYSIS

The Palm Springs International Airport is a financially self-sustaining enterprise fund within the City of Palm Springs government. The City of Palm Springs goal for the airport department as stated in Ordinance 1693 is to; "Ensure the Airport's Long Term Financial Health". This Commercial Services Fee has been developed specifically to bring the airport's fee schedule into equitable alignment and generate the revenues necessary for the airport to meet its short and long term financial operating and capital obligations.

The airport already has in place a compendium of different rates and charges which are applied to the businesses that operate commercially within its property. The fee that produces the majority of the airport's operating revenue is generated from a percentage

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of gross revenues from tenant business concessions, a common practice within the airport industry. The current concession fee structure is applied to the food, gift, beverage, advertising and car rental businesses and the percentage varies from a minimum of 7% to a maximum of 12.5% depending on several different variables. These percentages are also consistent with what is being implemented throughout the airport industry.

There are a few types of aviation specialty firms that have migrated onto PSP Airport over the years and developed businesses that specialize in providing commercial services to the airport's airlines. The airport's current fee schedule, which is promulgated through the City's Comprehensive fee schedule, must be updated in order to include a fee that will capture the revenue from these types of businesses and bring them into parity with the rest of the airport tenant community which already contributes its fair share to the airport's operating and capital obligations.

The fee being recommended for implementation has the title "Commercial Services Fee" and will be applied to only those firms that have an established presence on the airport's property generating business income from its commercial airline services. These firms will be required to obtain an airport operating permit and pay the airport fund a fee of 7% of its gross revenues generated from this airport business operation. The definition for this Commercial Services Fee will read as follows:

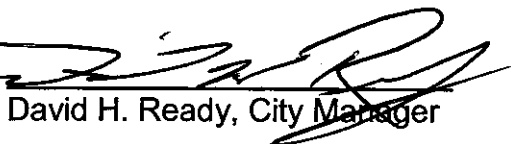
Commercial firms that operate an airline support business based at Palm Springs International Airport shall pay a commercial services fee equal to 7% of the gross revenues derived from these business operations. This fee is not applicable to commercial airlines providing services to other airlines.

FISCAL IMPACT

It is estimated that the application of this fee will generate approximately \$300,000 in additional revenue to the airport fund annually depending on the number of firm's that are eligible, the magnitude of their business, and level of airline activity at the airport.



Thomas Nolan,
Executive Director, Airport



David H. Ready, City Manager

Attachment: Proposed Resolution

RESOLUTION NO. _____

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF PALM SPRINGS, CALIFORNIA, ESTABLISHING FEES FOR COMMERCIAL SERVICES AT PALM SPRINGS INTERNATIONAL AIRPORT, AND MODIFYING THE COMPREHENSIVE FEE SCHEDULE ADOPTED BE RESOLUTION NO. 21578 AS AMENDED.

WHEREAS, the City, under various statutory provisions under California Government Code, may set and collect fees for the costs of providing various public services to the community; and

WHEREAS, the City currently charges commercial operators at the Palm Springs International Airport a Commercial Service Fee as part of their contractual obligation with the City for the privilege of generating business income at the Palm Springs International Airport; and

WHEREAS, staff is recommending and the City Council desires to establish a 7% of gross revenues Commercial Services Fee be applied to those airport based businesses specializing in airlines services and presently not paying any business privilege fees to the Palm Springs International Airport operating and capital fund.

SECTION 1. FEES IMPOSED.

The City adopts the Commercial Services Fee as proposed on Schedule 1 of this Resolution and incorporated by reference.

SECTION 2. SEVERABILITY.

Each component of the fees and all portions of this Resolution are severable. Should any individual component of the fee or other provision of this Resolution be adjudged to be invalid, the remaining provisions shall be fully effective, and the fee shall be fully effective except as to that portion that has been judged to be invalid.

SECTION 3. EFFECTIVE DATE.

The fees imposed by Section 1 of this Resolution shall be effective July 1, 2012.

SECTION 4. COMPREHENSIVE FEE SCHEDULE.

The City Clerk is hereby authorized and directed to incorporate said fees, charges and modifications into the Comprehensive Fees Schedule, adopted Resolution No. , as amended.

ADOPTED THIS 2nd DAY OF MAY, 2012.

David H. Ready, City Manager

ATTEST:

James Thompson, City Clerk

CITY OF PALM SPRINGS
SUMMARY OF PROPOSED FEE

| <u>Service</u> | <u>Proposed Fees</u> |
|--|--|
| Airport based Commercial Services Businesses providing contracted support Services to the airlines. Does not include airlines servicing other airlines. | Seven percent (7%) of gross revenues. |