Attachment #5

City of Steamboat Springs

November 6, 2024

Following a Tenant and Users Meeting conducted at Steamboat Springs Airport – Bob Adams Field on September 12, 2024, an ad hoc committee of hangar owners was formed to present and discuss ideas for fiscal sustainability to City staff. The issue at hand is that the General Fund subsidizes the Airport by approximately $300,000 to $500,000 annually, and staff has been tasked with reducing this subsidy.

Members of the ad hoc committee included Mr. Scott Alperin, Mr. Jeff Lake, Mr. Scott Conner, and Mr. Bill Feiges. City staff members included Jon Snyder, Public Works Director; Jia Carroll, Public Works Executive Assistant; and Tom Leeson, Deputy City Manager. The initial meeting between the committee and City staff was conducted on October 14, 2024. During the meeting, the committee proposed the following numbered ideas. Staff has provided a response to each idea below. The purpose of this memo is to attempt to memorialize the efforts and to reach mutual agreement on the content.

City staff sincerely appreciates the time that this committee has given to this effort and appreciates the interest that this committee has taken to help make Steamboat Springs Airport more fiscally sustainable. This memo is being provided to attendees at the November 6, 2024 follow-up meeting. Staff intends to include this memo as an attachment to the November 19, 2024 City Council packet pertaining to the expiring Corp 1 and Corp 2 ground lease discussions.

1. Reduce staffing levels. Committee members expressed a general belief that having only one employee on the field at a time is sufficient to run the Airport.

    - Staff response: The City is not comfortable staffing the Airport with only a single employee at a time. From a safety standpoint, staff strongly believes it is appropriate to have a minimum of two employees on the field at any given time. Though sometimes illnesses, meetings, appointments, and unplanned absences result in only a single employee staffing the field, this should be the exception and not standard practice. While we understand that some small general aviation airports do it this way, we believe Bob Adams Field is busy enough that a minimum of two employees on the field is warranted.

      The Airport is open 7:00am to 5:00pm, 365 days a year, and we are able to do this with only five full-time employees. Sometimes, we are fortunate to have one or two on-call employees available to work when a full-time employee is sick or on vacation. We do not see opportunity to reduce this staffing level downward.

2. Utilize Titan's portable self-serve fuel system in lieu of constructing a permanent self-serve fuel system. Committee members generally do not see financial value in providing a self-serve fueling

option, especially for Jet-A fuel, and do not believe self-serve fuel should be instituted without reducing staff.

- Staff response: We were intrigued by the idea of utilizing Titan's portable system. We did investigate this, and we will keep it under consideration should our self-serve fuel construction project not come to fruition. Right now, our proposed self-serve fuel system construction project is majority grant funded, so it is not negatively impacting the annual General Fund subsidy of the Airport. Titan's system would not receive any grant funding, making it entirely dependent on additional General Fund subsidies.

  Regarding the financial value of a self-serve fuel system, staff understands that the committee members are unlikely to use it. That said, staff remains confident that other pilots, especially piston aircraft pilots, will use it and that it will drive an overall increase in fuel sales.

  Regarding a staff reduction, we do not believe there is ample room within an employee roster of five to further reduce staff.

3. Change the revenue split on hangar sharing agreements.

   - Staff response: The Airport's net revenue from hangar sharing agreements since 2020 is as follows:
     - 2020: $5,425
     - 2021: $1,300
     - 2022: $10,254
     - 2023: $10,025
     - 2024: $2,563 September year-to-date; $5,000 projected

     Historically, the revenue split from hangar share agreements has been 50/50. Recently, we have offered a 60/40 split, which nobody has yet to accept. Most recently, we proposed hangar owners keep 100% of revenue, under which Airport staff would tug the plane in and out, but since the hangar owner is recovering 100% of the revenue, the hangar owner would also be responsible for all scheduling, communications and making financial arrangements with the tenant. Nobody has accepted this offer either.

     Under a best-case scenario, we could maybe double the Airport's net annual revenue from the numbers provided above by changing the revenue split on hangar sharing agreements. Therefore, we will continue to work with hangar owners on a revenue split both parties find acceptable.

4. Contract out some snow removal.

   - Staff response: Snow removal outside the fence is already privatized. However, we are not confident having snow removal operators working airside when they don't understand aviation and are not supervised by the City, especially in terms of drug and alcohol testing.

5. Make snow removal more efficient.

    - Staff response: We have made two improvements to our snow removal operation over the last two years with the introduction of the toolcat for tight spaces and the introduction of the new loader-mounted blower for the runway. While we think we are already doing well in this regard, we will continue to work toward making snow removal as efficient as possible.

6. Sell the B-hangars to highest bidder. It was suggested by the committee that this could generate \$1.6M in one-time revenue.

    - The B-hangars are projected to bring in \$76,774 in revenue for long-term leases in 2025, and hangar B-6 is projected to bring in \$22,000 in short-term leases in 2025, generating a total of \$98,774 in projected revenue in 2025. In contrast, the lump sum total of all ground leases from all 39 of the remaining hangars on the field are projected to bring in \$83,345 in ground rent in 2025.

      Our most recent ground lease rate analysis suggests that \$0.95 per square foot is a fair unit cost for new ground leases initiated in 2025. If the B-hangars were sold, after the initial influx of the \$1.6M in sale proceeds, the hangars would make a projected \$12,084 annually, which would increase at 3% per year. This is a difference of \$86,690 annually in the first year, and this difference would only increase with each passing year. While selling the hangars would yield an immediate influx in funds, over the long term, we believe it is a better business decision to own the B-hangars, even when taking maintenance and repair costs into consideration.

      Additionally, the target demographic for these hangars is local, middle-class private pilots. It also houses the Civil Air Patrol. We would like to maintain this target demographic, and privatization of the B-hangars would likely involve a different customer base.

7. Make the Airport Manager a part-time position unless it is also a working position.

    - Staff response: City management does not believe the Airport Manager can perform all of their assigned duties in less than 40-hours per week. While many of the duties may not be visible to the customers, the duties are extensive nonetheless. Furthermore, it is already required that the Airport Manager have a CDL, must be able to operate heavy equipment for snow plowing and aircraft fueling, and must operate the FBO in a backup role.

8. Reevaluate all fees.

    - Staff response: This is currently underway. Staff should be receiving the draft report from the consultant by November 15th and will aim to implement changes on January 1, 2025.

9. Open the snow storage area to others.

    - Staff response: Our current land use approval precludes this option. That said, staff does not support opening the snow storage area to others because the snow storage area is airside, and we want to restrict airside access to only City and aviation personnel. Additionally, staff is concerned with the introduction of additional sources of Foreign Object Debris (FOD) that snow dumping from outside sources would yield.
    - Update from November 6th meeting: Staff will reevaluate this option after the 2024-2025 winter season. Staff desires to see how much extra land might be available for this option once a full winter of City snow storage is accommodated.

10. Reopen private dirt disposal.

    - Staff response: This proved to be unviable due to State stormwater regulations, so staff discontinued it approximately five years ago.

11. Reevaluate the B-hangar rental rates.

    - Staff response: The B-hangars are already performing quite well financially, however we can reevaluate. Our outreach to other general aviation airports indicates that our B-hangar rates are at the top end of what other mountain-area airports are charging for comparable hangars, and almost twice as much as Front Range airports. Hypothetically, if we increased B-hangar rents by 15% - which we would consider aggressive - we would see $14,800 in additional annual revenue.

12. Institute CAA's jet fuel program.

    - Staff response: Staff reviewed the template contract provided by Mr. Alperin. Staff believes that a contract with AvFuel will provide an equivalent alternative option that appeals to a wider array of pilots and will therefore be more beneficial than CAA.

13. Divert property taxes that hangar owners currently pay to the County back to the Airport.

    - Staff response: Redirecting County property taxes would require a countywide public vote that stands no chance of succeeding and would have a negative impact on County operations. Therefore, staff is not pursuing this idea.

14. Provide discounted fuel to SBS based aircraft.

    - Staff response: It is almost impossible to accurately predict how much additional revenue this idea may generate, if any. Our fuel prices are already competitive, and customers can get a discount with our current fuel vendor branding partner, Phillips 66. If staff is successful in switching fuel vendors to AvFuel, then AvFuel will also offer a discount that would be equivalent to a based aircraft discount.

15. Reevaluate ground lease transfer fee structures.

    - Staff response: The transfer fees are stipulated in the lease agreements and cannot be modified without mutual agreement from both parties.

16. Consider renewing C-hangar ground leases now and increase the ground rent now via a lease extension.

    - Staff response: Staff believes that this decision is best left to the City Council that is seated in calendar year 2028, the year before the C-hangar leases are set to expire in March of 2029. That said, staff is interested to hear what the C-hangar owners would propose as a new ground lease rate.

      For context, C-hangar owners paid a ground lease rate of approximately $0.82 per square foot in 2024, and the total size of the C-hangars is 10,384 square feet. Thus, revenue for ground rent from the C-hangars was approximately $8,515. In 2025, ground rent from the C-hangars is projected to bring in approximately $8,770 in total revenue. Assuming the prevailing ground lease rate for new leases in 2025 is $0.95 per square foot - which is what our most recent ground lease rate analysis suggests - renewing the leases now, rather than in 2029, would yield approximately $9,865 in total additional revenue for the year, a difference of $1,095.

17. Committee members stated they could accept a reduction in City services if it meant the Airport was closer to breaking even.

    - Staff response: Our hesitation is that a reduction in services would drive a decrease in revenue from the services we provide. Let's say, for illustration, that we eliminate one full time FBO position so that we could reduce the hours or the days of operation. In a best-case scenario, eliminating one full-time FBO position saves approximately $70,000 per year in expenses when the cost of benefits is included. However, a reduction in the FBO's operational hours would come with a corresponding reduction in service-related revenues. If service-related revenues dropped even 10%, that would equate to approximately $69,000 in lost revenue, making this idea a practical wash, while decreasing employee safety by necessarily requiring staff be on site alone for certain time periods.