



CITY COUNCIL AGENDA REPORT

DATE: August 6, 2025

AGENDA OF:
August 12, 2025

DEPARTMENT: City Council

SUBJECT: FAA Compliance Inspection Concerning Ownership of Municipal Water System at Airport and Airport Receiving Full Market Value for Little League Fields

RECOMMENDED MOTION:

City immediately get the FAA required official appraisal of the acreage used by MVYBA and submit that to the FAA along with identifying how the airport will be compensated at FMV for the lease of the land. Move responsibility for all airport ground leases back to City Council.

BACKGROUND

The purpose of this agenda item is to clear up ownership of the municipal water system at the airport, correct FAA response to April 2024 Airport Compliance Inspection and to ensure the airport receives fair market value (FMV) for any land leased at the airport and return responsibility for all airport land leases back to City Council.

Castroville airport was signed over to the city from the US government in 1949 with a deed of trust which included certain compliance requirements. All property and mineral rights are the property of the airport and any income derived from airport operations must go to support the airport. This includes income from airport owned water rights. This does not include sales tax or property tax from privately owned airport facilities or commercial businesses or commercial aircraft based at the airport. Those taxes go to the city and state.

The municipal water system at the airport begins once the water leaves the airport owned well and includes all water treatment and distribution systems. What brought this up was an FAA Compliance Inspection in April 2024 where the FAA found several violations and concerns. Violation 2. was **Revenue Use Policy (Less than Fair Market Value for Non Aeronautical Use)**. In this case, the issue is the acreage used by the local little league organization, Medina Valley Youth Baseball Association (MVYBA).

The FAA found that the airport was receiving far under FMV for the land used for ballfields. The City responded with figures that were titled PW Well Maintenance but were actually the municipal water system at the airport. It was assumed by the City that the municipal water system was the sole responsibility of the airport and furnished estimated cost to maintain and do daily service of the system by PW employees at somewhere between \$24,124 and \$44,945 for an average of \$34,534. The ownership of the actual well is the

airports and its responsibility ends there. This assignment of the municipal water system to the airport has never been brought up before and as far as I know there is no documentation to back that up.

These figures were submitted to the FAA as a cost absorbed by the City and not the airport thus saving the airport this expense which was presented as an in-kind exchange assumed to be as if the airport received FMV for the ballfield land.

When I returned to council in March and became aware of the FAA inspection and response, I made the staff aware that this was not correct as the city water system was sole owner of the municipal water system at the airport and services and charges customers for that water just like the entire city municipal water system. I have had 25 years of close association with the airport and this was a complete surprise that I attribute to frequent staff turnover through the years and no corporate knowledge in staff of the airport water system. I would call it an honest mistake by staff.

When Mayor Alexander came on board, he also confirmed that the City, not the airport, was owner of the treated water system at the airport. Since Mayor Alexander had 25 years with the Castroville Public Works and retired as Director, his historical knowledge is not in question. That meant that the response to the FAA and assumption of the airport receiving FMV through in-kind exchange was not correct and needed to be corrected.

All municipal water customers at the airport are billed by the city. The city leases about 237 acre feet of the unrestricted water rights from the airport for municipal purposes and resells it at a very substantial profit. None of that profit goes back to the airport. The city does not pay for well maintenance as far as I know for the water pumped for servicing their airport customers. The airport pays for well maintenance and at one time the farmland irrigator paid the majority of well maintenance costs. However, the city should have some well maintenance financial responsibility since it services its airport customers from that well.

One of the main issues the FAA has had with Castroville for many years is that the airport was not getting fair market value for the use of the little league fields. Up until 2006-7, the airport received between \$700 and \$1200 a year for lease of the ball fields as reflected in city financial documents. In 2006-7 the City reduced the lease amount to \$1 year to avoid it being a political issue at an upcoming election. At some point after 2006-7, the City gave the little league organization up to 12-acre feet of municipal water per year at no cost. The value several years ago of that water was approximately \$28,000 a year at commercial rates. In approximately 2012 the city had an unofficial real estate lease appraisal done of the airport land used by the little league organization. The estimated value was \$17,000. In essence the little league organization was receiving free water and \$1 land use at an expense/loss of revenue to the city and airport of approximately \$45,000 or more.

For two years, the City charged the airport \$60,000 a year for administrative support. That figure was reduced to between \$6000 and \$8000 with a new administrator and the airport was paid approximately the same amount from the General Fund to compensate for lack of ground lease monies from the MVYBA.

In the most recent MVYBA contract, the airport is not listed as getting any value for use of the land possibly because of the rationale given to the FAA. When you consider all the years since 2006 that the airport has not received FMV for the land, it would easily amount to over \$200,000.

Additionally, the City has aligned the airport ball fields with the city park system for ballfield lease purposes. In my opinion that should not happen as the ball fields at the airport have absolutely nothing to do with the city public park system, and they are not open to anyone but those paid members of the little league association. All lease agreements for leased airport property need to be conducted solely with City Council

as they have historically been.

The current farmland lease evidently does not have well maintenance costs in it as it did at one time. It should be included when it comes up for lease later this year. The current percentage of water pumped from the airport well for irrigation is 90 percent.

The FAA has some fairly straightforward requirements for use of airport property for aviation and non-aviation related purposes. The following FAA document gives the **required process** for getting an official appraisal which is required for lease of airport property for non-aviation uses. This appraisal will establish FMV for the land.

FAA Memorandum August 27, 2018

Compliance Guidance Letter

2018=3, Appraisal Standards for the Sale and Disposition of Federally Obligated Airport Property.

Recommendation: The city needs to correct the compliance inspection response with the FAA by getting an official appraisal of the ball field land as outlined in FAA guidance, compensate the airport for FMV of the land and submit corrected documentation to the FAA.. The City Council must handle all airport land leases.

FISCAL IMPACT/SOURCE OF FUNDING: N/A

Budgeted ☐ Requires Budget Amendment

Urgency (0-5 = Low Urgency to High Urgency): ____

Impact (0-5 = Low Impact to High Impact): ____

ATTACHMENTS:

April 2024 FAA Compliance Inspection

City Response to FAA

Submitted by: Councilmember Lee