



CITY COUNCIL

Work Session Meeting Minutes June 26, 2023

Council President Primmer called the regular meeting to order at 6:00pm. Present were Councilors Barron, Duron, Linton (arrived at 6:01pm), Hardin, McCarthy, and Peterson. Mayor Drotzmann and Councilor Myers were excused. In attendance was City Staff to include: City Manager Byron Smith, Assistant City Manager Mark Morgan, City Attorney Rich Tovey, Finance Director Mark Krawczyk, Chief Edmiston, Planning Director Clint Spencer, and City Recorder Lilly Alarcon-Strong. Student Advisor Julissa Gonzalez-Mendoza was also in attendance.

Transient Room Tax & Airport

Assistant City Manager Morgan presented information and answered Council questions regarding the Municipal Airport and Transient Lodging Taxes AKA Transient Room Tax (TRT) (PowerPoint Presentation attached), to include: Airport history, facility and ground leases, revenues and expenses, current and future airport projections and uses, what and how a TRT is and works, area TRT comparable, TRT revenues and allocations, and the potential options for the future of both the TRT and Airport.

Adjournment

Council President Primmer adjourned the work session meeting at 6:52pm and stated the Council will take a short break before starting the regular City Council meeting at 7:00pm.

DRAFT



Hermiston Airport Financials

June 26, 2023



Airport History

- 1945: Land (260ac) bought from SID by Chamber of Commerce
 - **\$3/ac (\$780)**
- 1956: City Deeded Airport to State
- 1959: State Deeded Area "Around" Runway back to City
- 1961: City Deeded area back to State
- 1965: State Deeds back to City minus 500' from runway
- 1973: Entire Airport Deeded back to City



Airport History

- 1945: 2,600' dirt runway
- 1950: Runway graveled
- 1959: Runway & Taxiway paved
- 1965: Hermiston Voters Approve Bond to support Airport
- 1976: Runway extended to 4,000'
- 1991: Runway extended to 4,500'





HERMISTON OREGON **Airport Hard* Net Revenue**

	2015	2016	2017	2018	2019	2020	2021	2022
Fuel Revenue	\$ 156,837	\$ 106,658	\$ 109,001	\$ 160,406	\$ 154,343	\$ 133,739	\$ 135,440	\$ 179,759
Lease Revenue	\$ 53,563	\$ 72,352	\$ 73,286	\$ 64,716	\$ 66,781	\$ 48,798	\$ 84,507	\$ 59,361
Expense	\$ (241,925)	\$ (218,375)	\$ (165,093)	\$ (245,173)	\$ (261,517)	\$ (261,531)	\$ (329,203)	\$ (265,733)
City Taxpayer Subsidy	\$ (31,525)	\$ (39,365)	\$ 17,194	\$ (20,051)	\$ (40,393)	\$ (78,994)	\$ (109,256)	\$ (26,613)
Avg. Annual Subsidy	\$ (41,125)							

*Does Not Include Overhead

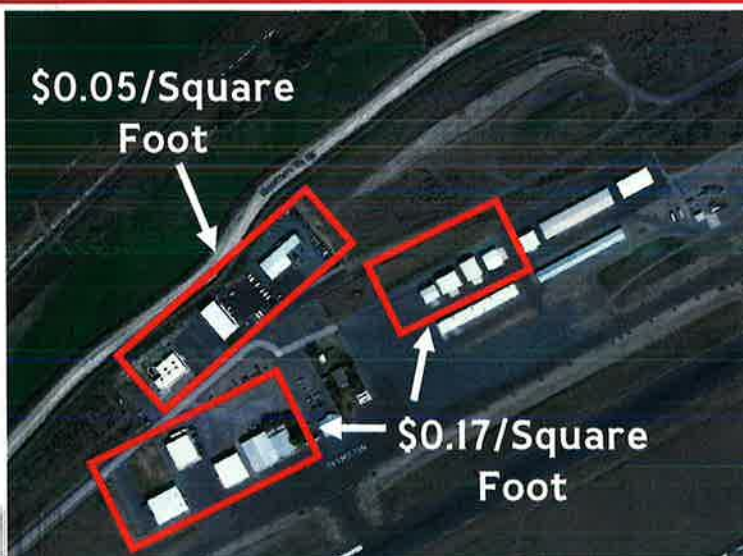


Airport Revenue

- Lease Revenue
 - **“Ground Lease”**
 - **Facility Leases**
- Fuel Sales Revenue
 - **100LL: Small Aircraft**
 - **Jet-A: Jet Fuel**



“Ground Leases”



**\$0.05/SF = \$43,500ac
over 20 years**

**\$0.17/SF = \$148,000ac
over 20 years**



“Facility Leases”



18 Enclosed T Hangars
10 Covered Shelters
1 “Box Hangar”
1 Home (3bd, 2ba)



Fuel Sales



- City-Owned
- Avg. Profit*: \$30,000
- Annual Gal.: 20k-25k
- Profit Targets:
 - **\$0.75/gal- 100LL**
 - **\$1.25/gal- Jet-A**

*Materials Only. Does not include cost of \$350K Fueling System.





Airport Expenses

- Materials & Services
- Day to Day Capital Improvements
- Core Mission Capital Improvements



Materials & Services

- | | | |
|--------------------------------|-----------|------------------|
| • Wholesale Fuel Purchases: | \$ Varies | ~50% of Expenses |
| • Airport Manager (full cost): | \$85,000 | 34% of Expenses |
| • Liability Insurance: | \$18,789 | 8% of Expenses |
| • Power/Gas/Internet: | \$15,413 | 6% of Expenses |
| • Weeds/General Maintenance: | \$4,798 | ~2% of Expenses |





“Day to Day” Capital

- \$15,000 to \$25,000 Per Year
 - **Electric Security Gate Repair**
 - **Terminal Building Furnace**
 - **Fuel Island Cardlock System Replacement**
 - **Lighted Wind Sock**
 - **Etc.**



“Core Mission” Capital

- \$15,000 to \$100,000 per Year
- Leverage FAA & ODA Grant Funding
 - **Taxiway Rebuild- \$4M Gross**
 - **Apron Rebuild- \$3M Gross**

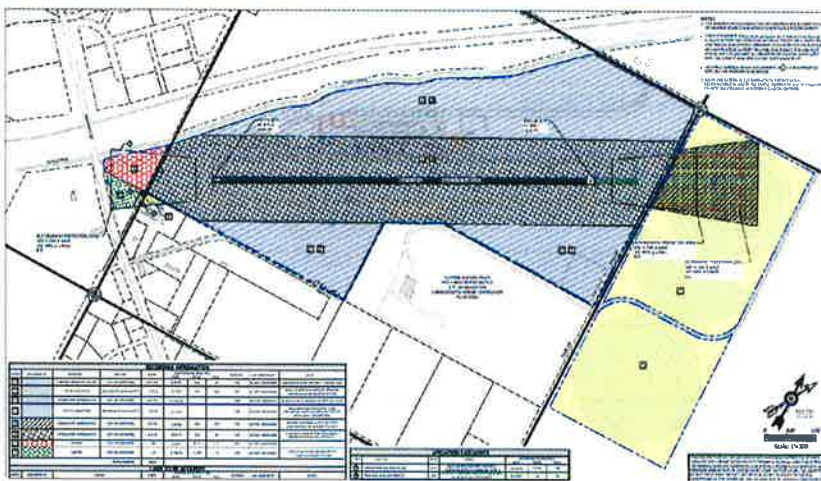




Future Plans

Where Life is Sweet™

Ott Road & 140 acre Farmland



- FAA Pays 90%
• **\$3M**
- City Pays 10%
• **\$300K**
- City Leases Long Term
• **\$30k - \$50k / YR**



Replace “Open T” Hangars



Not Popular (Open Spaces)
Wait List on Enclosed T's

Replace with Enclosed:
Federal BIL Funds (\$950K)
Local Match (\$95K)

Annual Net Profit: \$20K



Fee Review & Options

Where Life is Sweet™

2021 Statewide Rates & Charges



2021 Oregon Airports
Statewide Rates and Charges Survey

- Statewide Facility Rental Rates
- Statewide Ground Lease Rates
- Statewide Nightly Tie-Down Fees
- Statewide "Fuel Flowage Fees"

Funded by:

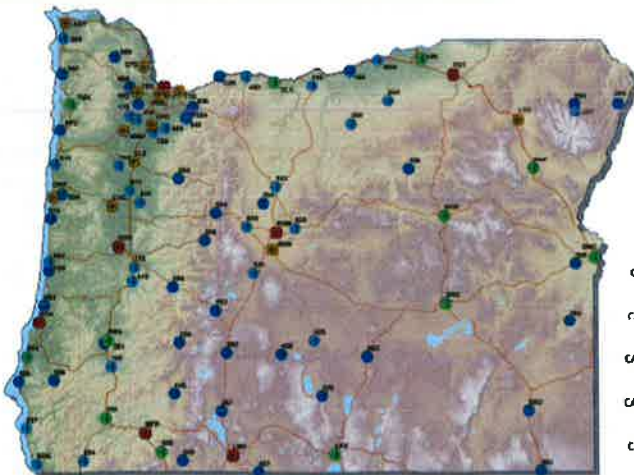


Prepared by:



Airports Not All Created Equal

MAP OF OREGON'S PUBLIC USE AIRPORTS



- CATEGORY I
- CATEGORY II
- CATEGORY III
- CATEGORY IV
- CATEGORY V

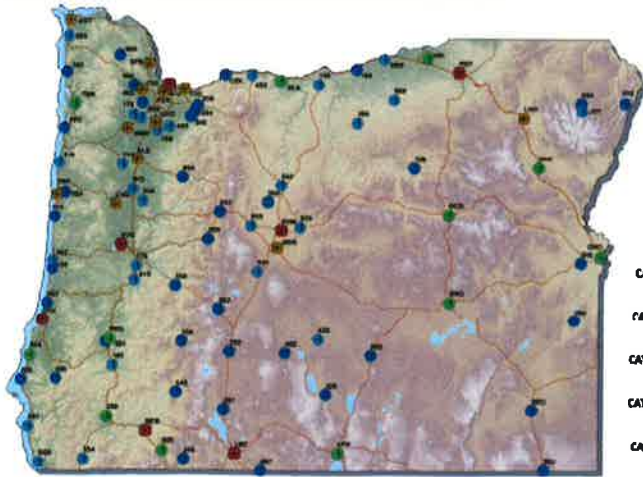
Regional General Aviation:

Support most twin- and single-engine aircraft and may accommodate occasional business jet operations. These airports support regional transportation needs with a large and often sparsely populated service area. The minimum runway length objective is 4,000 feet



Category III Airports

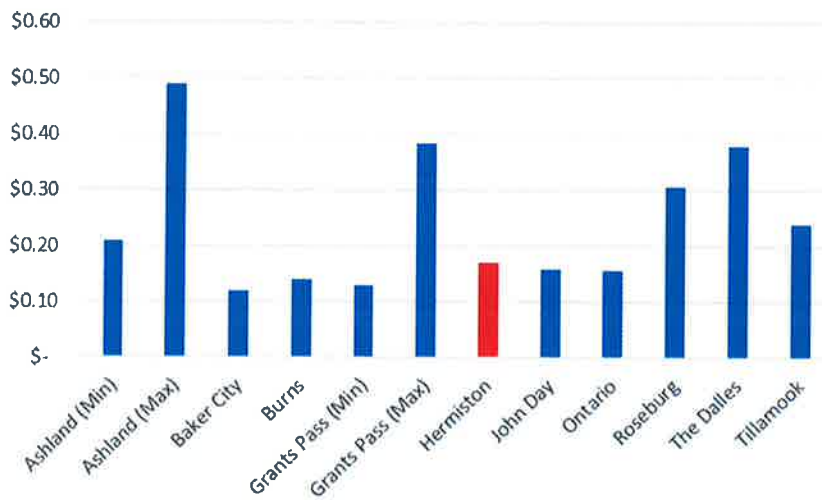
MAP OF OREGON'S PUBLIC USE AIRPORTS



- Ashland
- Baker City
- Burns
- Grants Pass
- **Hermiston**
- John Day
- Ontario
- Roseburg
- The Dalles
- Tillamook



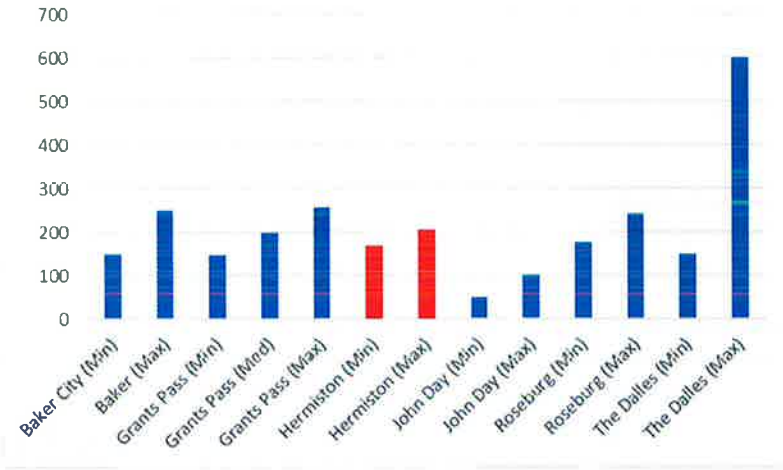
Hangar Ground Leases



- Market Size
- Utility Availability



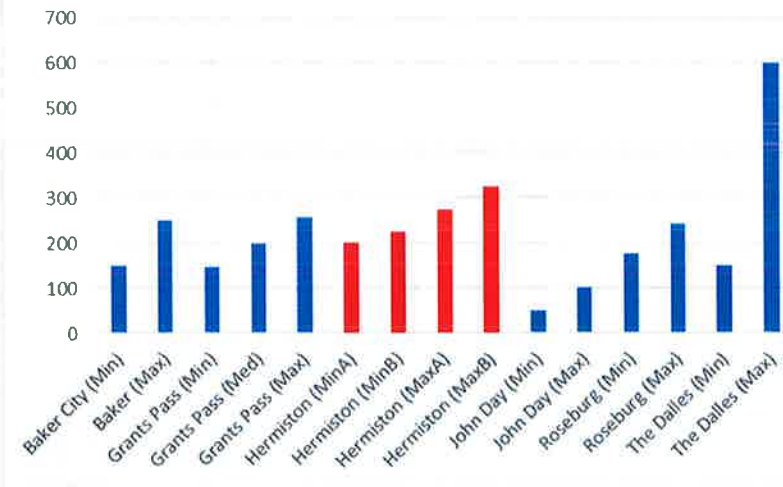
T-Hangar Rent



- Market Size
- Hangar Size/Configuration
- Current Hermiston
 - \$170/mo
 - \$205/mo



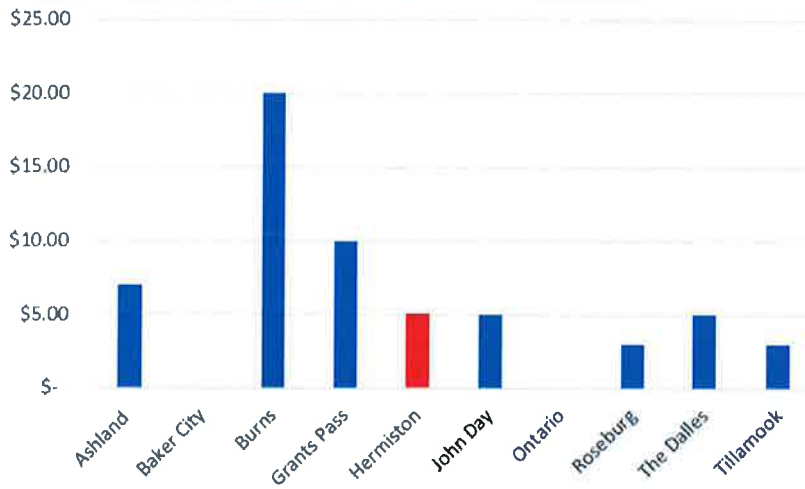
T-Hangar Rent



- 2024 Hermiston
 - \$170/mo → \$200
 - \$205/mo → \$225
 - \$275/mo → New T's
 - \$325/mo → New T's



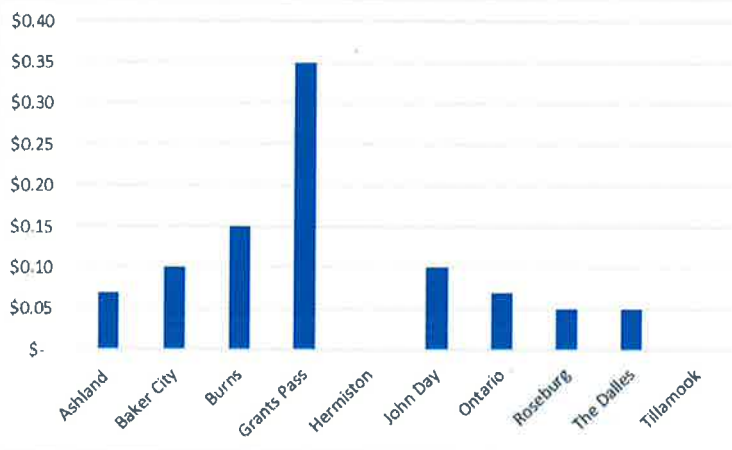
Nightly Tie-Down Fees



- Very Minimal
- Often Waived for Fuel Purchase



Fuel Flowage per Gallon



- **City Owned Fuel**
 - \$0.05 → \$1,000/yr
 - \$0.10 → \$2,000/yr
- **Ag Spray Pilots**
 - \$500 - \$1,000 / yr?
- **Commercial License**
 - \$1,000/yr





Revenue Adjustments Recap

- Ground Leases Competitive: Keep Pace & Consider Split Rate
- T-Hangars: Actively Increasing
- Tie-Downs Competitive: Very Minimal up-side
- Fuel Flowage
 - **City Keeps Profit from City Sales**
 - **Ag Pilots covered by "Commercial Operator" Fee**



Cost Allocation Moving Forward

Where Life is Sweet™

Re-Cap Costs

- Average Annual City Taxpayer Hard Subsidy: **\$41,000**
 - Estimated "Soft" Local Subsidy: **\$30,000**
 - 10% Asst. City Manager
 - 10% Financial Clerk
 - City Manager, Finance Director, Attorney, etc.
-
- **Total All-In Cost to City of Hermiston: **\$71,000****



Re-Cap Revenue Projections

- New 140ac Farm Rent Long Term: **\$30,000/yr**
 - 10yr ROI with 10% FAA Land Acquisition Match
 - New Hangars & Rent Adjust Net Long-Term Profit: **\$26,000/yr**
 - 6yr ROI with 10% FAA match of \$1.1M Project
-
- **Long-Term New Annual Revenue: **\$56,000/yr****



Projected Net Subsidy Required

- **2023-2029**

- **(\$41,000)- Hard**
- **(\$71,000)- Total**

- **2030 – 2034**

- **(\$15,000)- Hard**
- **(\$45,000)- Total**

- **2035 – Future**

- **\$15,000- Hard**
- **(\$15,000)- Total**



FAA Grant Assurances

#24- Airport Shall Charge Fees to Make the Facility as self-sustaining as possible.

#25- All Airport Revenue must be spent supporting the airport.



Airport Fund vs. General Fund

- **General Fund**

- Easily show Net-Subsidy of Airport Over Time
- Allows GF to easily absorb year-to-year swings (fuel prices, etc.)
- **Can't easily track overhead costs**
- **Net drain on GF Resources**

- **Airport Fund**

- **Susceptible to short and long term cash crunch**
- Fully dedicate overhead costs to Airport Fund
- Full segregation of Airport Revenues/Expenses
- Better allocate cost of Regional Asset to Regional Taxpayers





Who Uses the Airport?

- Crop Dusters protecting regional Ag Economy
 - Pendleton ← → Boardman
 - Heppner ← → Tri-Cities
- UPS: 3-4 flights per day
 - Regional package delivery
- Corporate Jets
 - 3 Mile Canyon Farms
 - RDO Equipment



Who Uses the Airport?

- Life Flight
 - Fixed-Wing transports
- Washington Aircraft Certification
 - Evading 8% sales tax
- General Aviation
 - 42 Based Aircraft



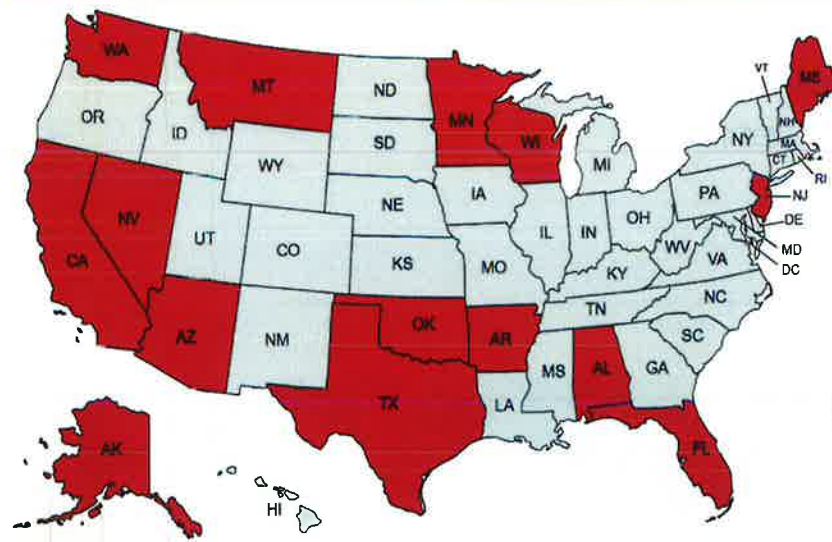
Hermiston Airport Fuel Sales- May '23



- 27% of Fuel Sales to Credit Cards with Oregon Zip Codes



Hermiston Airport Fuel Sales- May '23



- 73% of Fuel Sales to Credit Cards with Zip Codes from these states





Transient Lodging Taxes

June 26, 2023



Tax 'other people'

Tax reform means, "Don't tax you, don't tax me. Tax that fellow behind the tree."

— Russell B. Long —





What is Hermiston's TLT?

- Transient Room Tax (TRT)
 - **8% of Room Rent**
 - **Room Rent: \$100**
 - **TRT: \$8**
 - **Total Room Cost: \$108**
- Tourism Promotion Assessment (TPA)
 - **\$2/Room Per Night (hotels)**
 - **\$1/Space Per Night (RV Parks)**



Combined TLT as Percentage

Tax	\$50/night	\$100/night	\$150/night	\$200/night
TRT	\$4	\$8	\$12	\$16
TPA	\$2	\$2	\$2	\$2
Total Tax \$	\$6	\$10	\$14	\$18
Total Tax %	12%	10%	9.3%	9.0%



Hermiston's Total Average TLT: 9.8%

Hotel Stay in Hermiston

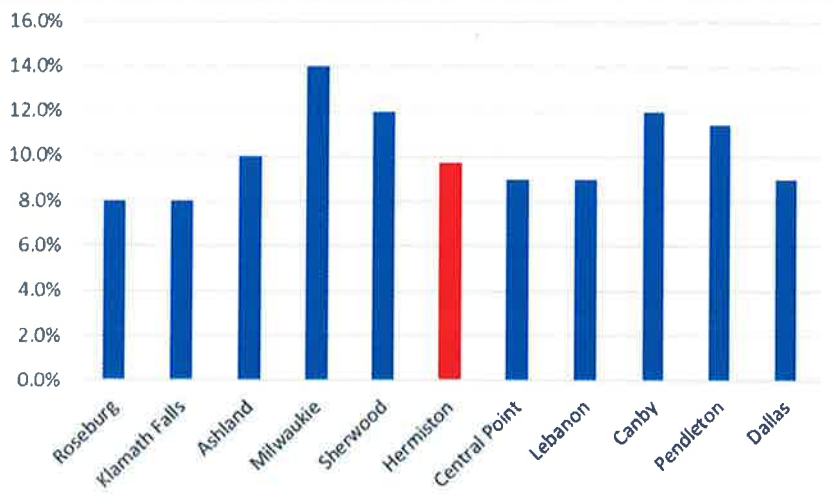
	Rate*	TLT Total \$	TLT Total %
Oxford Suites	\$ 132.00	\$ 12.56	9.5%
Travelodge	\$ 81.00	\$ 8.48	10.5%
Holiday Inn	\$ 157.00	\$ 14.56	9.3%
Best Western	\$ 158.00	\$ 14.64	9.3%
OYO	\$ 88.00	\$ 9.04	10.3%
Motel 6	\$ 87.00	\$ 8.96	10.3%
Average	\$117.17	\$ 11.37	9.8%

*July 10-11, 2023

Source: Expedia.com



Total TLT Comps



• \$117.17 Room

• Source:
<https://www.travelstats.com/tlt/oregon>





State TLT Sideboards

- 2003- Local TLT usage % Frozen
- 70/30 Split- 70% of NEW TLT must go towards “tourism”
- 70/30 Split- 30% of NEW TLT may go toward other services



Questions?

- What is “Tourism Promotion” or a “Tourism-Related Facility”?
 - **What qualifies in Hermiston?**
- What was Hermiston’s TLT Distribution in 2003?



“Tourism Promotion”

- (7) “Tourism promotion ” means any of the following activities:
 - (a) Advertising, publicizing or distributing information for the purpose of attracting and welcoming tourists;
 - (b) Conducting strategic planning and research necessary to stimulate future tourism development;
 - (c) Operating tourism promotion agencies; and
 - (d) Marketing special events and festivals designed to attract tourists.



“Tourism-related facility”

- (9) “Tourism-related facility ” means:
 - (a) A conference center, convention center or visitor information center; and
 - (b) Other improved real property that has a useful life of 10 or more years and has a substantial purpose of supporting tourism or accommodating tourist activities.



“Tourism Promotion”

- (10) “Tourist” means a person who, for business, pleasure, recreation or participation in events related to the arts, heritage or culture, travels from the community in which that person is a resident to a different community that is separate, distinct from and unrelated to the person’s community of residence, and that trip:
 - (a) Requires the person to travel more than 50 miles from the community of residence; or
 - (b) Includes an overnight stay.



Hermiston’s 2003 TLT

- TRT = 8% Room Rent Breakdown
 - 37.5%- Aquatic Center Bonds
 - 28.13%- Community Center Operation
 - 15.62%- General Fund (Economic Dev., Taxi Program, etc.)
 - 9.375%- Recreation Programming
 - 9.375%- Park Development





Hermiston's 2003 TLT

• TRT = 8% Room Rent Breakdown

- **37.5%- Aquatic Center Bonds**
- **28.13%- Community Center Operation**
- 15.62%- General Fund
- 9.375%- Recreation Programming
- 9.375%- Park Development



Hermiston's 2003 TLT

• TRT = 8% Room Rent Breakdown

- **37.5%- Aquatic Center Bonds**
- **28.13%- Community Center Operation**
- **65.63%- "Tourism Related"**
- **34.37%- Available for General Use**





Hermiston's 2023 TLT

- TRT- 8% Room Rent Breakdown
 - 37.5%- Aquatic Center Bonds
 - 25%- Community Center & EOTEC Operations
 - 15%- General Fund (Econ. Dev., Taxi, etc.)
 - 9%- Recreation Programming
 - 9%- Park Development
 - 3%- Chamber of Commerce ("Visitor's Information")
 - 1.5%- Aquatic Center Maintenance



2023 Hermiston's TPA

- Flat Fee Per Room Per Night
 - \$1 & \$0.50: Adopted 2013
 - \$2 & \$1: Adopted 2016
- 50%- EOTEC Promotion
- 50%- EOTEC Capital Construction





FY22 Total TLT Revenue

- TRT- \$811,172
- TPA- \$255,683
- Total- \$1,066,855



FY22 Total TLT Allocations

TRT		TPA	
• Pool Bonds-	\$304,000	• EOTEC Promo-	\$128,000
• CC & EOTEC-	\$203,000	• EOTEC Capital-	\$128,000
• Gen Fund-	\$121,000		
• Rec-	\$73,000		
• Park-	\$73,000		
• Chamber-	\$24,000		
• Pool Maint-	\$12,000		





FY22 TLT "Tourism" %

Collected

- TRT- \$811,172
- TPA- \$255,683
- Total- \$1,066,855

Allocated to "Tourism"

- TRT- \$543,000
- TPA- \$255,683
- Total- \$798,683



FY22 TLT "Tourism" %

Collected

- TRT- \$811,172
- TPA- \$255,683
- Total- \$1,066,855

Allocated to "Tourism"

- TRT- \$543,000
- TPA- \$255,683
- Total- \$798,683

**74.8% Current
Allocated to "Tourism"**





70/30 Split for Increase Since '03

TRT %	'23 TRT Increase	'16 TPA	New Tourism \$	New General Fund \$
8%	\$0	\$255,000	\$0	\$0
9%	\$100,000	\$255,000	\$0	\$100,000
10%	\$200,000	\$255,000	\$63,500	\$136,500
11%	\$300,000	\$255,000	\$133,500	\$166,500
12%	\$400,000	\$255,000	\$203,500	\$196,500



Potential Options

- Airport Subsidy
• **\$71,000/yr**
- TRT to 9%
• **\$100,000/yr**
- Airport Subsidy
• **\$71,000/yr**
- Gen Fund Subsidy
• **\$129,000/yr**
- TRT to 10%
• **\$200,000/yr**



Airport Fund + TRT for Airport

- Guarantees Airport Revenue stays at Airport
- Guarantees Airport Sustainable Revenue to Remain Independent
- Removes \$71,000/yr burden from City Taxpayers alone



