

To: Oelwein City Council

From: Dylan Mulfinger, City Administrator

Subject: Airport Fixed Based Operator Contract and Fuel Sales

Policy Date: 7/25/2022

The City Administrator is requesting direction from the City Council on two items that require council action. The process of fuel sales at the airport and the Fixed Based Operators' Contract at the airport.

Updated for July 25 meeting to include budget

Fuel Sales

Fuel sales at the airport have been administered by the FBO and the city has been responsible for the equipment and receiving a flow fee. The FBO performs the following:

- Ordering Jet A and low lead fuel
- Paying for fuel from the fuel companies
- Being present when fuel is delivered
- Monitoring fuel levels
- Collecting payment from the aircraft purchasing the fuel
- Monitoring the fuel system during crop spraying season
- Reporting any equipment malfunctions to the city
- Assisting in the refueling of airplanes

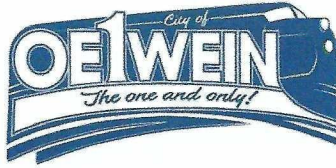
The city has collected the following for \$.10 flow fees:

- FY2018- \$4,218
- FY2019- \$5,175
- FY2020- \$4,528
- FY2021- \$6,202

The City Administrator acts as the Airport Manager. This requires the City Administrator to oversee the FBO and work with the Airport Board. The City Administrator recommended an upgrade to the fuel system that would allow for electronic payment at the pump. When the upgrade was complete, the city would take over purchasing fuel, but would continue to work with the FBO and allow them to sell the fuel at their rate. This would improve the tracking of fuel sales at the airport and would give a realistic picture of fuel sales to understand use at the airport. The City did not intend to take away sales from the FBO as fuel sales are part of the incentive for the FBO to work at the airport.

The fuel question and changes come from the recommendation of the airport board. Pulled from the April 21 minutes:

A conversation was had on fuel management once the new system is operational. The board realizes many details can't be sorted out until the system is in place, however, the general consensus is as follows:



1. As this is a self-serve system, George wouldn't be burdened with fueling planes or collecting payment. The City would order and purchase the fuel, set the price and collect payments. This would eliminate George's markup and would result in more competitive fuel prices. This applies to 100 Low Lead only. 2. For Jet A, George would order and purchase the fuel and set the price. The City would collect payments and pay George with deductions for flow fee and administrative costs. 3. Direct pay accounts would receive a discount equal to the credit card fees.

The City is in favor of billing local accounts so that both parties can save money from credit cards fees. The City is also in favor of running the sales through the city as control of the fuel system would be the responsibility of the city. The City Administrator is not in favor of running the low lead fuel tank and setting prices. The City Administrator has outlined the following reasons he believe it is best to keep the low lead with the FBO:

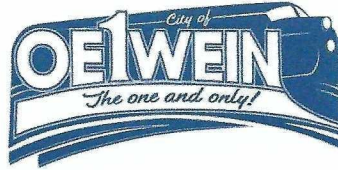
- The FBO is most incentivized to keep the fuel competitive and make sales
- The City does not want to make weekly checks on the fuel and determine when an order is needed
- The City does not know demand for the fuel and does not want to keep a large quantity on hand during a slow season
- The City does not want to be present to receive the fuel when delivered
- The City does not want to take away this income from the FBO as the minimal amount of money will not have an impact of the city's budget, but will have an impact on the competitiveness of the FBO contract

The fuel system was supposed to operational fall of 2021. Delays in parts and coordinating between internet service providers, IT providers, and fuel management firms has resulted in significant delays. While the system is setup as of June 21, 2022, the city will have to have it remain on standby until the crop spraying season is over to ensure no disruptions will be made to the largest user of the airport. Council has time to get more information on the fuel process as a decision on the fuel does not have to be made until September. The City Administrator needs direction from council on this decision as it will also affect the FBO's contract.

Geroge Tegeler is not in favor of the Airport Board's recommendation and will not sign a contract that separates the low lead fuels sales from the FBO.

Airport Revenue

Account Title	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2022	FY 2023
	Actual	Actual	Actual	Actual	Budget	Re-Estimate	Proposed
HANGAR RENT	19,090	16,163	16,707	15,987	16,000	16,000	16,000
LAND RENT	35,990	31,625	31,625	31,625	30,000	30,000	32,000
COURTESY CAR DONATIONS	241	84	29	0	100	100	100
ELECTRICAL REIMBURSEMENT	1,423	830	660	55	0	0	0
JET A/100LL FUEL REIMBURSEMENT	4,218	5,175	4,528	6,202	4,500	4,500	4,500
MISC	0	0	0	30,000	0	0	0
AIRPORT Total	60,961	53,876	53,549	83,869	50,600	50,600	52,600



Airport Expense

Account Title	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2022	FY 2023
	Actual	Actual	Actual	Actual	Budget	Re-Estimate	Proposed
SALARY	326	834	671	422	500	500	500
BUILDING	4,774	7,666	5,675	4,745	2,500	15,000	3,000
VEHICLE	105	553	1,018	298	1,500	1,500	1,500
COMMUNICATIONS	846	901	898	905	1,000	1,000	1,000
UTILITIES	5,597	5,407	3,684	3,944	5,500	5,500	5,500
CONTRACTS	36,010	36,730	37,465	34,600	35,700	35,700	36,414
EQUIPMENT	2,387	2,931	2,635	3,503	3,500	2,500	2,500
OFFICE SUPPLIES	489	588	195	731	500	500	500
BUILDING	0	0	0	0	0	0	0
PROPERTY TAXES	4,248	4,448	4,634	4,826	5,000	5,000	5,000
AIRPORT Total	54,782	60,059	56,876	53,974	55,700	67,200	55,914

FBO Contract

The FBO has a contract for services with the City of Oelwein. The FBO is paid monthly by their contract. The following shows the annual contract amounts:

- FY2018- \$36,010
- FY2019- \$36,730
- FY2020- \$37,765
- FY2021- \$34,600
- FY2022- \$35,700
- FY2023 (proposed)- \$36,414

The City Administrator is recommending a two percent increase in the FBO compensation and a one-year contract. Once the fuel sales are determined by the City Council, the City Administrator recommends a longer contract with the FBO, two years or more.

The airport board has recommended no increase to the contract for the FBO based on contract performance.

The FBO's income comes from the city's contract, fixing aircraft at the shop, and fuel sales. These three things provide compensation for the FBO. The City lowered the contract rate in 2021 because of budget cuts to general fund departments. The city negotiated a lower fuel flow fee from \$.15 to \$.10 and no longer charges utilities to the FBO shop. The increase in land rent at the airport has allowed the FBO contract to increase by two percent. The goal of past councils has been for the airport to break even and not cost the taxpayer a significant amount of money.

The contract requires the FBO to perform general maintenance, janitorial services, snow removal, and mowing. The City provides all equipment and fuel for these operations. Performance of the FBO has not been outstanding, but limited conversations that the City Administrator has had with only a handful of pilots provided some positive remarks of the FBO. There are also some local pilots that are unhappy with the FBO's performance. Finding an airport FBO that can fix planes and have them certified is a limited



market. The City Administrator is satisfied with the performance of George Tegler.

Past councils requested that the City Administrator investigate different options for airport administration. Research from this project showed that some airports have Airport Managers. These positions are full time and paid for by the city. Other airports hire out companies to perform these operations and this allows for flight instructions and other amenities. The City Administrator reached out to these companies, but no further progress was made.

The City Administrator understands the airport is not the most popular department as it sits outside the city and most council members do not own a plane or interact on a regular basis with the airport. The City receives significant federal funds for the airport and has one of the better small airports in northeast Iowa. With this information being presented, the council will have to take into consideration the Airport Boards recommendation and the City Administrator's recommendation. Should council want to put more time into the airport, the City Administrator will have to start making it a priority over other projects. The City Administrator looks forward to working with council on the fuel sales and FBO contract.

To: Oelwein City Council

From: Greg Bryan, Airport Advisory Board Chairman

I am in receipt of The City Administrator's 6/27/2022 letter to The City Council regarding airport items.

As last year, The Board has not approved a compensation increase for the FBO. Our decision is based on several factors that include the FBO's performance, services offered, facilities provided for his use and comparisons with other airports. The Board stands firm on this recommendation.

The City Administrator's letter indicates that last year the FBO received a contract pay increase of \$1,100, lowered the fuel flow rate and paid utilities for the hangar shop that his repair business operates in. The Board was not consulted with or informed of these decisions that are contrary to our recommendation.

The Board's recommendation on the fuel system is based on the following points:

Jet A

The crop spraying operation is the largest user of jet A. This requires the FBO's management.

The FBO should purchase the fuel and be paid funds collected by The City less an established flow rate.

AV Gas

Self – service does not require management that would entitle the FBO compensation

The City will be capable of monitoring the fuel levels within the fuel program

The City can order fuel as other cities without FBOs do

The Board is adamantly against the FBO selling fuel that was purchased with public money

Speaking for the board, I request The Council to consider postponing action on the FBO contract to allow The Board to reevaluate the FBO's contract and review the new fuel system.

The Airport Advisory Board's members are a diversified group with expertise in many different areas. We are focused on serving the community by our positions on this board as ordained by the City code. Unfortunately The City Administrator does not respect The Board's authority. He has repeatedly excluded The Board from matters we are responsible for. At this point The Board's level of mistrust with the City Administrator is irreparable.

FBO Contract and Fuel Sales 2022 - 2023

We are asking, as requested by City Manager Dylan Mulfinger, the 2022-2023 FBO Contract be increased by 2% from \$35,292. to \$35,998.

We are also in agreement with Dylan that we would keep control of fuel sales, both Jet A and Low Led (Avgas) as in the past.

The Credit Card System is being installed and once it is up and running we understand the following **differences** will occur:

All fuel sales will be ran through the credit card system.

All proceeds from the fuel sales will be in the City's account.

The city will cut a check to Tegeler Aviation at the end of each month for the profit split agreed on.

The following procedures will **remain the same**:

Tegeler Aviation will:

-continue to monitor fuel equipment daily and make minor repairs as needed.

-continue to monitor fuel equipment daily and call for major repairs needed.

-lock and unlock pumps when necessary.

-accept phone calls at all hours to assist Pilots with the use of the pumps

-monitor the quantities of the fuels and call for pricing to 2-4 vendors for the current best price

MONITORING the fuel quantities during the spray season is an hour by hour job as the planes take thousands of gallons of fuel in a small period of time. We get trucks at times on a daily basis.

-call local airports as to whether they are getting fuel as to share a tanker to get a better price.

-meet and help the trucker/tanker deliver fuel and fill the tanks at all hours of the day or night.

-keep peace amongst the Spray Plane companies as to parking/fueling/maintenance.

-continue to set the fuel sale price and include the city's percentage in doing so.

All other items in the current contract are fine as written.

Respectfully Submitted,
Tegeler Aviation, LLC
George Tegeler