



To: Oelwein City Council

From: Dylan Mulfinger, City Administrator

Subject: Airport Fixed Based Operator Contract and Fuel Sales

Policy Date: 7/25/2022

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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 does 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 believes it is best to keep the low lead with the FBO:

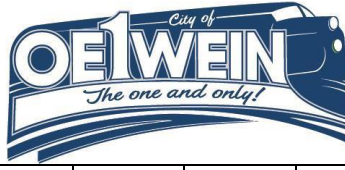
- The FBO is most incentivized to keep the fuel competitive and make sales
- The city does not want to make weekly checks on the fuel and determine when an order is needed
- The city does not know demand for the fuel and does not want to keep a large quantity on hand during a slow season
- The city does 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
<b>AIRPORT Total</b>	<b>60,961</b>	<b>53,876</b>	<b>53,549</b>	<b>83,869</b>	<b>50,600</b>	<b>50,600</b>	<b>52,600</b>

#### 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
<b>AIRPORT Total</b>	<b>54,782</b>	<b>60,059</b>	<b>56,876</b>	<b>53,974</b>	<b>55,700</b>	<b>67,200</b>	<b>55,914</b>

#### 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 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 aircrafts 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 who 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 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 is one of the better small airports in Northeast Iowa.

With this information being presented, the council will have to take into consideration the Airport Board's 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.