

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

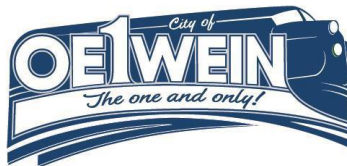
The city has collected the following for \$.10 flow fees:

- 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*



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.



Oelwein Municipal Airport FBO Lease July 1, 2021 to June 30, 2022

THIS AGREEMENT, made and entered into the date executed below, between the City of Oelwein, Iowa, hereinafter referred to as the Lessor, and George J. Tegeler, d/b/a Tegeler Aviation, LLC, hereinafter referred to as Lessee.

WHEREAS, Lessor owns and operates the Oelwein Municipal Airport and the Lessor is willing to lease to the Lessee certain premises hereinafter more fully described and located on said airport upon the terms and conditions and stated herein;

WHEREAS, the said leased premises may be used for the operation of a flight training school, aircraft maintenance and repair, aircraft charter, aircraft sale and rental, and sales of aircraft gasoline and oil. Lessee may also conduct his business on premises relating to sales and services of aircraft, and building and constructing various makes and models of experimental aircraft. Lessee, at Lessee's option, may conduct additional business activity on the leased premises, which is permitted by, or not prohibited, by law and expressly approved in writing, in advance, by the Lessor upon a written proposal submitted by Lessee. Lessee must keep 100 Low Lead and Jet A fuel on hand for resale to local and transit aircraft, or as allocated, and have fuel service available from 8:00 a.m. to 5:00 p.m. Monday through Friday and as requested or deemed necessary and,

WHEREAS, under the terms of the Lease, the Lessee shall be responsible for operating a base radio and communications equipment, which is located in buildings that Lessee occupies, at all times from 8:00 a.m. to 5:00 p.m. Monday through Friday and as requested or deemed necessary.

NOW THEREFORE, in consideration of the rent, covenants and agreements herein contained, Lessor does hereby lease to Lessee, maintenance hangar and an office in the Terminal Building.

1. Compensation for grounds keeping paid to FBO is \$2,941.00 per month (\$35,292.08 annually) from July 1, 2021 thru June 30, 2022. Said amount to be payable to Lessee monthly with the amount being due by last day of each month. It is understood that the designated office space is for the exclusive use of the fixed base operator, but the public lounge and restroom area in the administration buildings are public use facilities.

- A. Lessee shall provide for and supply at its expense all janitorial and custodial service with respect to the buildings and facilities associated with the leased premises and shall maintain all premises in a clean and accommodating appearance for persons using the same during normal hours of operation or when requested or necessary, except that Lessor shall supply janitorial supplies for the public lounge (designated room A) and restroom areas in the administration buildings herein designated as public-use facilities.
- B. Lessee shall attend to necessary maintenance, involved in keeping runways, and adjoining areas, taxi-ways and lawn areas mowed, and free of snow as required, provided Lessor will furnish equipment and fuel for mowing and snow removal.
- C. Lessee shall provide labor for basic preventive maintenance and repairs on buildings, facilities, grounds and equipment. Any major repair, rebuilding or alteration, including painting, seeding, overhauling, building or similar matter shall be the responsibility of Lessor as listed in the FBO contract duties.
- D. Lessee shall enforce any rules or ordinances of the City applicable to the Oelwein Municipal Airport.



2. The term of this Lease shall be for the period commencing at midnight on July 1, 2021 through to and ending at midnight on June 30, 2022.

3. Lessee shall maintain a log of all airport activity. Lessee shall report as needed to Lessor through the City Administrator or his designee all important, unusual and otherwise pertinent information. Failure to provide the report to the City will result in delay of monthly compensation. Lessee shall attend the Airport Board meetings and submit an activity report including, but not limited to: the number of take-offs and landings, identity of businesses using the airport facilities, type of aircraft (single twin or jet), and all other activities. Lessee shall also have an attendant present, Monday through Friday, between the hours of 8:00 a.m. and 5:00 p.m. Lessee shall comply with the courtesy car and FBO protocol incorporated herein by this reference and attached marked as Exhibits A and shall provide all drivers with Exhibit B.

4. It is hereby agreed that nothing herein contained shall be construed to grant or authorize the granting of an exclusive right prohibited by Section 208 of the Federal Aviation Act of 1958, as amended, and the Lessor reserves the right to grant to others the privilege and right of conducting activities of an aeronautical nature.

5. Insurance. The Lessee shall purchase and maintain such insurance as will protect it from claims set forth below which may arise out of or result from the Lessee's operations under the Contract, whether such operations be by himself or by a subcontractor or by anyone directly or indirectly employed by any of them, or by anyone for whose acts any of them may be liable. All such insurance shall be subject to the approval for the City for adequacy of protection, and shall include a provision preventing cancellation without thirty (30) days' prior notice to the City in writing.

A. Liability Insurance Requirements. The Lessee shall procure and maintain, at its own expense liability insurance as hereinafter specified. The liability insurance required is as follows:

1. Commercial General Liability Insurance issued to the Lessee and protecting it from all claims for personal injury, including death and all claims for destruction of or damage to property arising out of or in connection with any operation under his Contract, whether such operation be by himself or by a subcontractor under him, or anyone directly or indirectly employed by the Lessee or by a subcontractor under him, or by anyone for whose acts any of them may be liable.
  - All such insurance shall be written with a limit of liability of not less than \$1,000,000 for all damages arising out of one occurrence for bodily injury, including, death, and property damage. The General Liability policy should have a general aggregate limit of \$2,000,000 for all damages and a products completed operations aggregate of \$2,000,000 for all damages.
  - All such insurance shall be written on a comprehensive policy form and shall specifically cover products and completed operations. Certificates evidencing the issuance of such insurance, addressed to the City, shall be filed within ten (10) days after the date of the execution of the contract.
2. The policy shall include the City as an additional insured. The insurer shall give the City notification of any cancellation or termination by refusal to renew the policy or of any change in coverage of the policy or of any change in coverage of the policy in the manner provided by law. If no such notification is provided by law, the insurer shall give the City at least thirty (30) days' prior written notification of any cancellation or termination by refusal to renew the policy



or of any change in coverage of the policy.

- B. Workers' Compensation Insurance. The Lessee shall maintain at his own expense Workers' Compensation Insurance, including occupational disease provisions, covering the obligations of the Lessee in accordance with the provisions of the laws of the State of Iowa. The Lessee shall furnish the City with a certificate giving the evidence that the Lessee is covered by the Workers' Compensation Insurance herein required, each certificate specifically stating that such insurance includes occupational disease provisions. This policy should also include Employer's Liability Insurance with minimum limits of \$500,000 each accident for bodily injury, \$500,000 each accident for bodily injury by disease, and \$500,000 policy limit for bodily injury by disease.

6. Special Provisions. All liability policies which include the City as an additional insured shall include a Governmental Immunities Endorsement pursuant to Chapter 670.4 of the Iowa Code, which endorsement shall include the following provisions:

- A. Nonwaiver of Government Immunity. The insurance carrier expressly agrees and states that the purchase of this policy and including the City as an Additional Insured does not waive any of the defenses of governmental immunity available to the City under Iowa code Section 670.4 as it now exists and as it may be amended from time to time.
- B. Claims Coverage. The insurance carrier further agrees that this policy of insurance shall cover only those claims not subject to the defenses of governmental immunity under Iowa Code Section 670.4 as it now exists and as it may be amended from time to time.
- C. Assertion of Government Immunity. The City shall be responsible for asserting any defense of governmental immunity, and may do so at any time and shall do so upon the timely written request of the insurance carrier.
- D. Non-Denial of Coverage. The insurance carrier shall not deny coverage or deny any of the rights and benefits accruing to the City under this policy for reasons of governmental immunity unless and until a court of competent jurisdiction has ruled in favor of the defense(s) of governmental immunity asserted by the City.

7. Lessee agrees to observe and obey reasonable rules and regulations with respect to the use of the premises; provided, however, that such rules and regulations shall be consistent with safety and with rules, regulations and orders of the Federal Aviation Administration with respect to aircraft operations at the airport; and provided further, that such rules and regulations shall not be inconsistent with the provisions of this agreement or the procedures prescribed or approved from time to time by the Federal Aviation Administration with respect to the operation of Lessee's aircraft at the airport. Lessee and all of its employees, agents and servants will faithfully observe and comply with all rules and regulations as may be promulgated by the Lessor, the United States of America or any Department or Agency thereof, and the State of Iowa.

8. Lessee shall not assign, sublet nor hypothecate this Lease without the written consent of the Lessor, except that said Lease may be assigned by Lessee to any corporation owned by, or that in which it may become shareholder of, but such assignment shall not relieve or release the Lessee from the terms and obligations of this Lease insofar as the Lessor is concerned.

9. Lessee agrees to furnish service on a fair, equal and not unjustly discriminatory basis to all users thereof, and to charge fair, reasonable and not discriminatory prices for each unit of service; provided the Lessee may make reasonable and non-discriminatory discounts, rebates or other similar types of price reductions to volume purchasers.



10. Lessor agrees to pay for lights, "T" hangar lights, wind sock light, wind "T" lights, security lights, repair and maintenance radio and communications equipment at the airport.

11. Lessor reserves the right to maintain and keep in repair the landing area of the airport and all publicly owned facilities of the airport, together with the right to direct and control all activities of the Lessee in this regard.

12. Lessor reserves the right to seek Federal and/or State funds to develop and improve the landing area and all publicly owned air navigation facilities of the airport as it sees fit and without interference or hindrance from the Lessee.

13. Lessor reserves the right to take any action it considered necessary to protect the aerial approaches of the airport against obstructor, together with the right to prevent Lessee from creating, or permitting to be erected, any building or other structure on the airport which in the opinion of the Lessor would limit the usefulness of the airport or constitute a hazard to aircraft.

14. During time of war or national emergency Lessor shall have the right to enter into an agreement with the United States Government for military or naval use of part or all of the landing area and publicly owned air navigation facilities and/or other areas or facilities of the airport. If any such agreement is executed, the provisions of this instrument, so far as they are inconsistent with the provisions of the agreement with the Government shall be suspended.

15. This agreement shall be subordinate to the provisions of any outstanding agreement between Lessor and United States relative to the maintenance, operation or development of the airport.

16. The Lessee will not, on the grounds of race, color, or national origin, discriminate or permit discrimination against any person or group of persons in any manner prohibited by Part 15 of Federal Aviation Regulations. The Lessor reserves the right to take such action as the United States Government may direct to enforce this covenant.

17. The Lessee agrees that no signs or advertising material shall be placed or erected upon the leased premises without the prior written consent of the Lessor.

18. Lessee shall not use City vehicles or equipment for personal use.

19. In consideration that the aircraft fuel system is provided to the Lessee at no cost, the Lessee agrees to submit an invoice, as needed, of his cost of the fuel purchased for approval of his proposed retail price. As demand dictates Lessee will provide aircraft maintenance, aircraft rental and flight training. Lessee will pay Lessor flow fee of \$.10 per gallon for all aircraft fuel and Jet A fuel pumped. Lessor agrees to pay losses incurred on Jet A fuel up to 1000 gallons if fuel age extends beyond one year from last Jet A purchase date. Lessee will provide a report each month on the fuel usage and will provide payment to the city on the last day of each month for the flow fee.

20. When the city installs new gas pumps for the Oelwein municipal Airport, all fuel operations will run through the City of Oelwein. Tegeler Aviation will have the authority to order fuel and set the price of fuel. Tegeler Aviation will notify City Hall of each order and will notify them of the current rate. City Hall will issue a check each month of fuel proceeds to Tegeler Aviation. The City will track all amounts of fuel purchased and sold at the Oelwein Municipal Airport. The flow fee will be taken out of the payment to Tegeler Aviation and Tegeler Aviation will not be required to reimburse the City.

21. Lessor reserves the right to enter upon the leased premises at a reasonable time for the purpose of making any inspection it may deem expedient.

22. This Lease may be terminated for non-compliance of FBO Operations at any time hereafter by either party giving the other one hundred (180) days' notice of intention to so terminate the same, or this notice shall be by registered mail. This Lease may not be assigned without the written consent of the opposite party affected thereby. If the city fails to provide a renewal to the contract before June 30, 2021 the contract will proceed month to month with no adjustments in compensation.



23. At the expiration or termination of this lease, the Lessee agrees that it will give peaceful possession of the leased premises in as good condition as they now are, ordinary wear and tear excepted.

24. Lessee will provide a report monthly to the Airport Board and the City Administrator on the activities of the airport.

25. This agreement shall extend to and be binding upon the heirs, executors, administrators, trustee, successors, receivers and assigns of the parties hereto.

Dated at Oelwein, Iowa, this \_\_\_\_ day of \_\_\_\_\_, 2021.

CITY OF OELWEIN, IOWA

TEGELER AVIATION, LLC

By: \_\_\_\_\_  
Brett DeVore, Mayor

By: \_\_\_\_\_  
George J. Tegeler

NOTE: The intent of this Contract is to be an Agreement between a Lessor and Lessee. It is not to be interpreted as an employer, employee relationship and shall not be construed by anyone as such.